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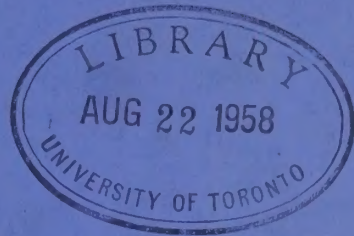
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*Ontario Hydro-Electric
"Inquiry Commission, 1922-23
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Evidence



HYDRO ELECTRIC INVESTIGATION

NIPIGON SYSTEM

TORONTO, OCTOBER, 1922.

J. W. H. Bower,
Secretary

W. C. Coe,
Official Reporter

HYDRO-ELECTRIC INQUIRY COMMISSION

Parliament Buildings, Toronto,

Tuesday, 10th October, 1922.

NIPIGON SYSTEM.

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HYDRO ELECTRIC INQUIRY COMMISSION

Parliament Buildings, Toronto,

Tuesday, 10th October, 1922.

NIPIGON SYSTEM

PRESENT:

W. D. GREGORY,	Chairman
M. J. HANEY,	Commissioner
LLOYD HARRIS	"
J. A. ROSS	"
R. A. ROSS	"

J. H. W. BOWER,	Secretary
F. W. WEGENAST,	Legal Adviser.

SIR ADAM BECK,	}	Representing the Hydro- Electric Power Commission.
HON. I. B. LUCAS		
W. W. POPE		
R. T. JEFFREY		

F. R. MORRIS, K.C., and	}	Representing the City of Fort William.
MAYOR EDMESTON,		

HON. I. B. LUCAS, Examined .

THE CHAIRMAN: Mr. Lucas, the question raised by Sir Adam Beck the other day when he took the ground that the Government should bear the deficit on the Nipigon System because it was responsible for the development being made at Nipigon, the additional development, widens out the scope of the inquiry.

You desired to say something the other day on the subject of the Great Lakes Company, and we said it could be put off until a future time. However, there are some questions I want to ask you on the subject, and I expect you will be able to answer them all ?

A--I haven't refreshed my mind. It is only a matter of what I may have in my mind. I don't pretend to carry all the details in my mind.

Q--Mr. Lucas, you were Attorney-General in the Government of Sir William Hearst from what time ? A--1914.

Q--Until the end of 1919 ? A--Yes.

Q--And you were a member of the Hydro-Electric Power Commission of Ontario during what time ?

A--During all that time.

Q--Then you were a member both of the Government and of the Hydro-Electric Power Commission during those five years, or rather more than five years ? A--Yes.

Q--Was the deficit of the Hydro in connection with the Nipigon system greater because they went to Nipigon than if they had gone somewhere else ? A--Just repeat that.

Q--Did the going to Nipigon make the expenses of the Hydro, and its failure to make a profit, or as much to pay the cost of the undertaking, greater than if they had gone any other place ? A--Well, to put it shortly, it means this: That the Hydro-Electric Power Commission made a development anticipating a pulp contract. They have a development there now with power, roughly, I think, 30000 h.p. available, or could be quickly made available, and they are only selling 10,000 or 12,000 h.p. If the pulp contract had come through the Hydro would be in receipt of, roughly -- if they took the 20,000 h.p. and lived up to their original contract-- \$300,000 a year extra revenue for the Hydro from power now

available. That is the very simple statement.

Q--But if they had gone to some other place and made a development there and not gone to Nipigon at all, wouldn't there still have been a deficit? Would they have been more likely to get a contract at one place than at the other?

A--I haven't in my mind at all the estimates as to power available, or as to the cost of power at Dog Lake. I haven't as I say, anything like that in mind. I only have in mind the present development at Nipigon is losing roughly a thousand dollars a day because they are short a thousand dollars a day revenue, from a pulp contract that the Hydro might reasonably expect to have had.

Q--What I am trying to get at is this: We are told that the Government should bear this deficit, and I understand it is claimed that the Nipigon development was made owing to a request by the Government that power should be provided for a pulp company, isn't that so? A--My understanding, and I heard read the documents referred to by Sir Adam Beck, was that the Hearst Government had adopted the general broad policy that in any development of the Nipigon they must do whatever was necessary to do to provide for the requirements of the pulp mill, and, on that basis, they made an expenditure that perhaps otherwise wouldn't have been justified, in having that power available.

Q--Did the Government require them to go to Nipigon at all? Didn't they go there of their own free will?

A--Oh, yes, but the Order-in-Council authorizing the development was an Order-in-Council authorizing the development by the Hydro at Nipigon. The Government says you must develop on a scale that will take care of the pulp requirements of that country.

Q--But wasn't the Order-in-Council based on a request from

the Commission itself ? A--No doubt of that.

Q--So that the request for the Nipigon development came, in the first instance, not from the Government but from the Commission itself? A--No doubt of that. That is, if the Commission had recommended a development elsewhere the Government would, no doubt, have been guided by their advice.

Q--They went to the Government and they presented the agreements with Port Arthur and Port William agreeing to pay for the cost of power developed in that undertaking, and they recommended that the development at Nipigon be authorized by the Government ? A--No doubt about that.

Q--Well, now, in what respect would the development have cost any less if this pulp limit hadn't been thought of at all? A--You mean if there was a more limited development ?

Q--No. Supposing nothing had been said about this Carrick agreement, and the necessity of providing power, would the cost of the Nipigon development have been any less than it is today? A--That is an engineering question which I am not in a position to answer.

Q--You cannot so answer upon it, as to whether the expenditure would have been less? A--No.

Q--And I presume you did get a report on it ?

A--I have no doubt there were reports.

Q--You were a member of the Commission. Would the Commission recommend a development of that size without a report from the engineers ? A--Oh, no, there would be reports from the engineers as to the development.

Q--And did the engineers point out that owing to the provision having to be made for this pulp industry the expenses would be greater than otherwise? A--I cannot recall those reports of some years ago, but I have no doubt there are on

file reports from the engineers showing the contemplated development, showing the prospective power users and the cost.

Q--Were the Great Lakes people mentioned as prospective power users in the report of the engineers?

A--I cannot recall that. As to former reports, you will naturally understand that dealing not with hundreds but with thousands of reports, one cannot recall the details.

Q--But this was the second most important development?

A--Yes. What I have very clearly in my mind is that there was much negotiation with the Government. There was much negotiation with the Government backward and forward, between the Government and the Hydro, endeavouring to get the Hydro a firm contract from the Great Lakes.

Q--Yes, but I am speaking now of these estimates, if the Hydro had to go to greater expenditure on account of providing for the power required by the company? Surely you must have information what that extra cost would be?

A--I never had in mind anything but this, that there was no other power available for pulp concessions in the Nipigon district than the Hydro, as a member of the Hydro Commission, and, as a member of the Government, I have never had in my mind anything but this, that the well-settled policy for those who get pulp concessions would be to compel them to use Hydro power, because there was no other power.

Q--Well, yes, they would be compelled to use it, not by contract but on account of the conditions which prevailed in that district, there was no other place to get it?

A--So far as the Great Lakes was concerned, there never was any doubt in my mind but that they were to take power from the Hydro, they were to get it at cost, and that is shown in the correspondence and negotiations.

Q--This is what Sir Adam said to us the other day:

"The Government is responsible, morally responsible for the deficit on account of the operation of that plant, owing to the fact that we were definitely directed to provide power for this pulp company, to meet the demand of the pulp that would be sold from time to time by the Government. The Government directed us to install a plant sufficient to take care of this company's business, making available 75,000 h.p. ultimately."

Do you agree with that ? A--Well, I stated the way I would state it a few moments ago.

Q--Do you say that is a correct statement ?

A--I haven't the advantage of having the reports before me, but what I do state is that both from my knowledge as a member of the Government, and from my knowledge as a member of the Commission, the development at Nipigon was justified, and justified only, upon the basis that the men, the Great Lakes Company, or those who might later get concessions would be compelled to take Hydro power either by contract or by terms under the concessions as to future sales.

Q--But Sir Adam says further:

"The Government directed us to install a plant sufficient to take care of this company's business, making available 75,000 h.p. ultimately -- " and so on.

A--Well, I think the Government of Sir William Hearst definitely stated their position that in any development at Nipigon they would require that development to be on a scale that would take care of the Great Lakes pulp trade.

Q--That is as far as they went ? A--Well, that is my recollection now. As to what negotiations may have taken place between the Premier and Sir Adam Beck further I don't recall at the moment.

Q--And would the cost of the development at the Nipigon

have been greater than the cost of development at Dog Lake ?

A--Well, as I stated a little while ago, I haven't in mind the estimates at Dog Lake. I can only put that in a very general way, and that is, that the capacity at Dog Lake is limited. I cannot even approximately state what the capacity is now, but it is a limited capacity, and a development there could not be reasonably expected to take care of the future requirements of Fort William, Port Arthur, and the pulp industries in that country that might reasonably be expected to develop.

Q--Did the Commission go to Nipigon and make the development which it did there because of the prospective future requirements of the Great Lakes Company, and if it hadn't been for the Great Lakes Company would they have developed at Dog Lake ? A--I cannot tell you that again except in my own way: That, as a Hydro Commissioner, I never had in my mind any other thought ^{but} that, in pursuance of the policy of the then Government, the pulp concessionaires would be required to take Hydro power, and that the general policy was that the development must be on a scale that would take care of pulp requirements.

HON. MR. RANEY: Q--Might I ask you, Mr. Lucas, that being so why did your Commission not see to it that the users were put under an obligation to use Hydro power before your Commission began its development ?

A--Well, I think the records will show, and again I am speaking from recollection, that down through a period of months, and perhaps longer, very serious efforts were made by the Hydro to compel the Great Lakes people to sign a firm contract.

Q--Quite so. A--They failed to do so, but, at the same time, they were receiving instructions from the Government

that in whatever development work was going on it must be on such a scale that will take care of the pulp requirements.

Q--Quite so, Mr. Lucas. I am aware -- and everybody is aware -- that those efforts were made but they came after a large expenditure had been made, after the whole plant had been laid out, and the scheme of development had been adopted ? A--An obligation.

Q--My question is, why didn't the Commission not stay its hand in the matter of expenditures until it had the users bound to take the power ? A--My answer to that would be this -- and I am only speaking now not from a definite recollection of what passed rather than what would naturally pass in my mind, and that is this -- that the pulp concessions if you are speaking just of the Great Lakes -- had to take Hydro power. There is no other power except that which is controlled by the Government, and the Government were directing a development on a scale that would take care of the Great Lakes. The Government controlled the situation, because they would have the only available waterpowers, and the Government, therefore, had the big stick with which to make this company carry out its reasonable undertaking, even without any red seal on the contract.

Q--No, no, but you wouldn't have your price determined, and you didn't have anything signed by the Company. You didn't have a promise by them even to accept your standard form of contract, to say nothing of the price. You didn't have a contract from them to take power from you?

A--We didn't have anything, nothing at all from the Great Lakes.

Q--The question is, you were proceeding with the development on a scale to take care of the requirements, and you wouldn't have proceeded on the scale on which you did proceed

if you had not had in contemplation the supply of power to those users, and that being the case why did the Commission not stay its hand in the expenditure of money until it had those people bound, they being anxious, according to the correspondence, exceedingly anxious to make a contract all the time ? A--Well, I can only repeat the answer I gave before, that is, that the Government of the day controlled the situation at that time. They had correspondence and negotiations under which this Great Lakes Company gave up whatever rights they had to the Nipigon development upon an understanding, whether legally binding or not, that the Government would make available for them, through the Hydro, power at cost, and I never had any doubt as to the ability of the Government, under those conditions, to compel that Company to carry out the undertaking on the understanding as stated in that correspondence.

Q--If there was no contract at all ? A--If there was no contract at all .

Q--The Courts, you see, have decided otherwise ?

A--No, the Courts didn't decide that. I said the Government always had in their hands the necessary means of compelling that company to live up to its undertaking in the letters, because there is no other power available.

Q--Then who would fix the price they were bound to pay ?

A--The price is fixed at cost.

Q--Now, you see, isn't that absolutely wrong. You put a price on this power now that will cover the cost, and you have a price that is absolutely ruinous under which those people cannot possibly carry on, a price of \$60. The price today is absolutely prohibitive? A--Well, if they are getting it at cost they are getting it as cheap as they could make it themselves.

THE CHAIRMAN: Q--Mr. Lucas, you said that the policy of the Government was that these pulp companies should take power from the Hydro, I understood you to say?

A--That was the broad Government policy, as I always understood it.

Q--Well, I do not think that applies in the case of the Great Lakes. In the sale of the limits to the Great Lakes the first step was the advertisement of those limits. Why, if you say the successful tenderer was to take power from the Hydro, did you not put that in your advertisement and make it a condition, that the successful tenderer should take power for development from the Hydro at cost, or in any other way?

A--You, of course, know, Mr. Chairman, that the sale of those limits was not in my department, and I am only speaking from memory on those matters. I am only speaking from a general recollection in this connection.

(The Chairman reads advertisement re the sale of limits in 1916)

THE CHAIRMAN: The time for receiving tenders was, I think, about the 1st of December?

A--1916?

Q--1916, when you were a member of the Hydro-Electric Power Commission and also a member of the Government?

A--Yes, and at a time when the Nipigon was not authorized or undertaken by the Hydro.

Q--No. A--My recollection is that that lease, the right to develop the waterpowers on the Nipigon, was given up.

Q--I am speaking now of the advertisement, how was it, if that was the general policy of the Government to make them take Hydro power, that they gave them this lease?

A--I am just leading up to that. That is a policy adopted subsequent to that date under which the right to a development

at Nipigon is withdrawn, it is taken back.

Q--But the development by the Hydro there was a matter of public discussion long before that .

A--Before 1916 ?

Q--Yes. A--There was nothing authorized then.

Q--The municipalities had voted on the agreement ?

A--There was no development at Nipigon authorized at that time.

Q--Wasn't the Hydro actively interested in the water-power there at that time ? A--There was no development authorized for a year, or perhaps two years after that.

Q--And no development discussed there ? A--There may have been much discussion, but nothing authorized and nothing decided on.

Q--Hadh't this very waterpower at Cameron Falls been a matter of public discussion between the private concessionaires and the City of Port Arthur ? A--I don't know anything about that.

Q--Wasn't your Commission itself concerned that it should be ? A--What I do know, Mr. Chairman, and what I thought I made clear, is that at that time there was a pulp-wood concession sold with the right to a private development of the waters of the Nipigon; subsequent to that, what I have said, the broad policy of the Hearst Government was adopted to have this waterpower of the Nipigon developed through the Hydro for the use of these towns as well as for the use of the pulp industries , and the development of the pulp lands which were held by the Crown, and that, subsequent to that date, there couldn't be any Nipigon development.

Q--Wasn't the matter under consideration long before that advertisement, and didn't the Government know that the Hydro-Electric Power Commission had agreements with Port Arthur and Fort William to supply them with Hydro power

before that date ? A--No doubt they knew of the discussion, but there was no decision. It might have been the development at Dog Lake at that time, or it might have been something else at that time, but there was no development authorized at Nipigon until a year and a half after, or more.

Q--Wasn't the Hydro itself especially concerned with the Nipigon development? A--I think the Hydro was a strong advocate of the policy of a large public development to take care not only of the towns or cities but of the pulp industries of the district and, no doubt, the Hydro -- although I cannot at the moment recall any such thing -- presented those views to the Government as to the Nipigon development.

Q--And didn't you, as a member of the Hydro-Electric Power Commission present this view to the Government and insist that the waterpowers should be kept free for the Hydro?

A--I don't at the moment recall any discussion at all, but I have no doubt that, on many occasions, a number of matters in connection with this development were discussed.

Q--We were told up at Port Arthur the other day that when they were considering the development of power at Nipigon they communicated with Sir James Whitney and he wired them that the waterpower there was free. That was years before this, and then afterwards, there was a concession made to a man named Marks ? A--I haven't the history of these various negotiations.

Q--I have here the minutes of your Commission of December 19th, 1916. They read as follows:

"Proposed agreements with the Municipalities of Port Arthur and Fort William were presented and noted. In this connection the Chairman called attention to the newspaper clippings quoting Mr. Carrick as claiming the Nipigon power rights in connection with the pulp limits

"recently taken over by him from the Government.

Commissioner Lucas assured the Board that the lease and option in connection with the Nipigon Power situation had expired and the rights now rested in the Crown."

A--I have no doubt that is correct. I have no personal recollection of it at the moment. That would be in 1916.

Q--Yes, 1916, December, 1916. Now, if the Government -- as you assured them -- had got all the rights of that water-power in its own hands, why did it at once place it out of its hands and place itself under an obligation to Carrick to let him have that waterpower? A--That is 1916 ?

Q--That is in 1916 ? A--Then subsequent to that the record shows, does it, that there was a lease to Carrick ?

Q--Yes. A--Subsequent to that ?

Q--Yes. A--Well, as I said before, I haven't the history of those leases in my mind at all. If I had the records and files before me --

Q--You see it was brought up in your Commission, specially mentioned by your Chairman, and yet the Government then proceeds at once, having got it back into the hands of the Crown, to put it out of the hands of the Crown?

A--I have no doubt at all that that was stated there, and it is in the minutes, and at that time it was back in the hands of the Crown. Subsequently, the then Minister of Lands and Forests, I suppose it was, who granted the lease to him -- I am not familiar with the details of it --

Q--I presume all these things were discussed by the Government? A--I have no recollection of the discussion, although no doubt they were.

Q--You knew that this was going on, ^{and} you being a member of the Hydro-Electric Power Commission and Attorney-General of the Government felt it your duty to see that the public rights were protected, and that the Government, having got

that waterpower back in its own hands kept it there ?

A--As it turned out there was a subsequent lease given to Marks.

Q--Well, Marks got one and Carrick got the other, and they subsequently assigned their rights to the Great Lakes Company? A--And then, subsequent to that the Government got the lease back again in their hands .

Q--Yes, then the Government, having given this property, having given the rights to this waterpower to Marks and to Carrick, said, we shall have to see that, if you have this waterpower -- meaning Hydro -- they are provided for.

Why did it ever put itself in the position in which it put itself, giving the Nipigon rights to Marks and Carrick?

A--The simple answer to that is, that the Nipigon was then under private lease to the Great Lakes interests.

Q--The N'pigon, oh, no, never was ? A--Which the power rights ?

Q--Yes, never to the Great Lakes ? A--To the Great Lakes interests, those who had assigned.

Q--You mean Carrick and Marks ? A--Yes, they assigned their interests.

Q--Carrick and Marks were the successful tenderers ?

A--They subsequently became the Great Lakes, and the Great Lakes became entitled then to the Carrick-Marks rights.

Q--Mr. Wegenast points out the assignment to the Great Lakes did not take place till long afterwards, a year or two years after this time ? A--I don't see what bearing that has on it.

Q--I don't see that it has any particular bearing?

A--The old policy, pursued by all Governments up to that time, was to sell the pulpwood concessions, and to give them the rights of private waterpower development. They pursued

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that policy up to 1916, and again apparently when the Great Lakes, Pic and Sturgeon Limits were sold again that old policy was pursued of allowing the private pulp concessionaires to acquire and develop the waterpower.

Q--You knew it was a matter of great concern to the Commission, something that had been taken up by them, and you gave the assurance, to the Commission, that it was still in the hands of the Crown? A--Still in the hands of the Crown. That would be the position then.

Q--Why was that policy adopted -- A--What policy?

Q--The policy adopted in the letter from Sir William Hearst. You see, first of all, in September you assure the Commission that the rights of that waterpower are still in the hands of the Crown? A--I didn't enunciate any Government policy.

Q--You were the Government member of the Commission?

A--There is nothing in the minutes to show the policy, subsequent to that date. All that minute shows is this, that, at that time, the Nipigon River is held by the Government admittedly, and beyond any question. Subsequent to that time these limits, following the policy pursued for all time in this country up to then, the limits were sold subject to the right to secure a waterpower lease, and the usual conditions were given, and the concessions carried the right to a waterpower lease after it had been sold. No doubt negotiations were carried on between the Hydro and the Government. A new and comprehensive policy, a broad policy, was then adopted by which the Nipigon and all available waterpower should be made available not only to the Great Lakes but to all the other men who might, in the future, lay pulp lands in that district, to get power for the manufacture of pulp at actual cost, and subsequent to the sale of the Pic and Black Sturgeon Limits, carrying with

it the right to development on the Nipigon, the Hearst Government policy which required the Hydro to go on and develop at Nipigon, and take care of pulp requirements, was adopted. The Hydro were instructed to develop on that scale. With that in their mind they did go on and develop the Nipigon, and, for reasons I am not prepared to discuss, that contract did not come through, and there is a loss of a thousand dollars a day. If we had that contract there would not be a loss of a thousand dollars a day.

Q--We are getting a little away from the point, that you knew in December, as a member of the Hydro-Electric Power Commission -- A--December ?

Q--December, 1916, when you knew that they were trying to develop at Nipigon, then wouldn't it have been better, when the Hydro were considering the development there, instead of handing over the waterpower rights to Carrick to have adopted that policy ? A--You accomplish the same thing, you get your power.

Q--You place yourself under a direct obligation to make power, whereas if you had that in your own hands you wouldn't have been under any obligation ?

A--Anybody could buy pulp concessions without an undertaking from the Government to make power available.

Q--Yes, but the Government might have put a clause in that, when it knew the Hydro was already signing agreements for the development of power there, saying they must take power from the Hydro, and, in that way, they would not have put themselves under any obligation whatever in respect of that waterpower. A--You mean they could have made it a term of the contract ?

Q--Certainly? A--What I say is they did make it, to my mind, although, as it has been pointed out the Courts held

it wasn't a legally binding contract. They did, by correspondence, make it obligatory, as it were, on the part of the Great Lakes to take power at cost from the Hydro when it was available.

Q--This is what they did, is it not : They agreed with Carrick that he should have the waterpower development at Cameron Falls. Then Sir Adam Beck went to them and said, we have been negotiating, we want this power, we are discussing development there. And they said you cannot develop there unless you will agree to provide for the Carrick interests to whom we have already given this waterpower, so that when the Hydro took over that waterpower it took it subject to a certain obligation which wouldn't have rested upon it if it had not been given under this contract ?

A--Under an obligation ?

Q-- Sir Adam Beck said it meant a large additional development which would not have been made if it wasn't for this obligation ? A--They were to have the benefit of a large contract, which would make power cheaper for Port Arthur and Port William, and cheaper for the man who was going to manufacture pulp.

Q--This is what Sir William Hearst says in his letter to Mr. Pope; the letter is dated June 4th, 1918:

" Mr. Carrick, as you know, does own certain pulp limits in the Nipigon country that carry with them the right to some suitable waterpower for the purpose of generating the necessary energy to operate the plants stipulated for in the concession. The Government was able to arrange with Mr. Carrick to release his rights to a lease of the necessary waterpowers, on condition that power would be supplied to him by the Hydro-Electric Commission, and the Government could not consider any plan for the development of the waterpowers at Nipigon

"without provision being made to supply the necessary powers required for the operation of the plants demanded by the terms of the concessions in question."

That is page 86? A--Yes, quite, that is my understanding of it, and on the farther condition and obligation -- this was held by a Court not to be a legally binding obligation -- that they should take it.

Q--Isn't an agreement that isn't legally binding of no particular value? A--That is, of course, where I say No. With some experience of Governments, and of concessionaires, it is not of vital importance, if you laid down a definite positive understanding, and it is perfectly clear what the agreement was. The Government has many ways of making them live up to that agreement when, as I have said, it was a formal document, executed and signed by the parties. Now, there was a clear understanding that this company would take power at cost, and my only proposition is, that the Government could very well have this clearly understood, and they are doing no injustice to anybody; they could have enforced it.

Q--How could they, under the contract? There was no provision under the contract that they could cancel it?

A--The company was bound to go on and build a mill.

Q--When power was available, that is what you expressly provided? A--The company were bound to go on and build a mill.

Q--They were not bound to go on. The Courts held they were not bound to go on and build a mill under the agreement made with the Government until the work had been actually constructed and the waterpower made available for them?

A--You don't want me to get into a legal argument with you?

Q--No, I don't. A--Well, I have my own views, and I

think I could refer to some documents which would support that.

F.-- Well if you have any documents that would support that, Mr. Lucas, we would be very much obliged if you would let us have them? A--The documents I refer to are on your file, and they are documents written by the Counsel for the Government, in which he points out, in several ways, that the remedy and means of forcing this contract is under clause 13, that this company is clearly in default if they don't build their mill, and take their power, you are in a perfectly safe position to cancel that concession.

Q--If that is so then why did the Hon. Mr. Ferguson, who was Minister of Lands, Forests and Mines, write this letter dated January 31st, 1918, to Mr. Carrick?

"It is quite true that power is the crux of the situation, and I realize, until this problem is solved, it is impossible for you to make progress.

Under these circumstances and until the power is available the Department cannot fairly ask you to make the other expenditures in connection with the erection of your plant."

HON. MR. RANEY: Mr. Lucas made the statement about the letter written by Counsel for the Government. Might I ask to see that letter?

HON. MR. LUCAS: They are on file.

THE CHAIRMAN: What letter is it, Mr. Lucas, a letter from whom?

A--A letter from Mr. Kilmer, dated September 22nd, 1922. Have you that letter, Mr. Chairman?

Q--Yes, Mr. Lucas. You heard the extract from Mr. Ferguson's letter, which I read, that letter to Mr. Carrick, stating that they should not be required to begin development until the waterpower is available? A--The letter of September 22nd

is my answer to that.

Q--I am speaking of Mr. Ferguson's letter to them, telling them that they couldn't be required to develop until waterpower is available. Could the Government, in a justifiable way, have cancelled their concession? I won't press you to answer that question if you feel you cannot answer it?

A--You are endeavouring to lead me into what I don't want to go into.

Q--I want you to clear this up, if possible?

A--No, you are leading me into something I don't want to go into much against my own will and judgment. I don't think I should be asked about this thing. I know I will be accused of talking politics here as to what the Government should or should not do. You are leading me directly into it.

Q--This is a document which bears directly on the construction of the agreement that is in the hands of the Government.

SIR ADAM BECK: Mr. Chairman, may I interrupt?

You asked me to be here this morning, and I would like to know whether it is your intention to call me this morning or not, so that I might go to the Arbitration at the City Hall if it is not necessary that I should be here just at this time.

THE CHAIRMAN: It is difficult for us to say, just at this moment, when the occasion would arise. I think you should be here, Sir Adam. I understand that the people Fort William have something to say here.

SIR ADAM BECK: Couldn't an hour be fixed?

THE CHAIRMAN: Not very well.

SIR ADAM BECK: When a witness is to be called, say, couldn't you guess at an hour?

THE CHAIRMAN: I cannot say when we will get through

with Mr. Lucas.

SIR ADAM BECK: Well, then, I will have to ask you to telephone me at the City Hall when you want me, because I do not think it is fair at all to the position I occupy there, and the responsibility entailed.

THE CHAIRMAN: You must remember that we are trying to get through as quickly as possible.

SIR ADAM BECK: I don't think we have delayed you in any way.

THE CHAIRMAN: Not except last week, and we want to oblige you as far as we can.

SIR ADAM BECK: You are not obliging me, but I think there should be some regard paid to the Counsel and the Commission sitting on the Arbitration at the City Hall. I am glad to be here whenever I am wanted; I am very interested in this evidence, and would like to hear it.

THE CHAIRMAN: It is not that, but matters will come up which we want to ask you about, and we cannot say exactly when they will come up.

SIR ADAM BECK: Will you tell Mr. Jeffrey or Mr. Pope when you want me and I will be here in five minutes.

THE CHAIRMAN: I cannot take the responsibility of saying when you will be required.

SIR ADAM BECK: On behalf of the Commission, and myself as Chairman, I desire to protest. If you want the facts -- and I believe you do -- in connection with this inquiry into the Nipigon matter, and other matters, the Commission should be represented by Counsel who should have an opportunity of cross-examining as you are doing this witness. I tried to do it the first day I was here, and I was stopped and told I couldn't ask questions until the witness had completed his testimony. I protest that we are not properly

represented, in my opinion, without Counsel appearing for us. You are a lawyer yourself, Mr. Chairman. You have a Solicitor prompting you there, and you have Mr. Raney here, a lawyer also, asking questions of our witnesses, from whom we might bring out a great deal of evidence if the questions were asked by our own Counsel.

THE CHAIRMAN: We will only be too pleased if you will bring out all the evidence bearing on this matter. It is your own Counsel that is here as a witness.

SIR ADAM BECK: We want to be represented by Counsel. We always have had Counsel on inquiries of this kind until this one.

THE CHAIRMAN: We represent the Hydro ourselves just as much as any other interest here.

SIR ADAM BECK: I am not satisfied at all, if you ask me, with the evidence that is being brought out by the witnesses that appear here. Counsel could ask questions that would make the evidence very clear, and that is all you have in mind, and all we have in mind. The facts would be brought out, and I say again that I do not think the best interests of all concerned in this inquiry are at all being served, as the matter is being carried on now without Counsel representing us in the proper way, bringing out all the evidence that we can adduce.

THE CHAIRMAN: We want to hear all the evidence, and we urge you to stay here. We do not propose to have time taken up by Counsel.

SIR ADAM BECK: No, but you have your own legal opinion in these matters. You have solicitors prompting you, but the Hydro-Electric Power Commission is not represented in any way.

THE CHAIRMAN: It is being represented by your Counsel, the Hon. Mr. Lucas.

HON. MR. LUCAS: I am not appearing as Counsel.

SIR ADAM BECK: We want to be represented by Counsel, as we have in other inquiries, and until that is done I do not think you will have the evidence given in a satisfactory way.

THE CHAIRMAN: And we want you to give all the evidence you can, and we want you to stay here.

SIR ADAM BECK: I know you do, but there is only one side asking questions, legal questions. As I say, you are a solicitor, and others are prompting you.

THE CHAIRMAN: Not at all.

SIR ADAM BECK: That is my impression.

THE CHAIRMAN: If you wish any questions asked just tell us and we will ask them for you.

SIR ADAM BECK: I can tell you exactly why Dog Lake was deserted, in two minutes, but I want somebody to cross-examine and bring those matters out. I will be glad to pay Counsel myself and see that justice is done, but I protest and say that justice is not being done at the present time.

THE CHAIRMAN: We want you to stay and bring out the evidence. We will ask any questions which you wish us to ask, and give you every opportunity to state the facts to us.

SIR ADAM BECK: You will admit that everything that could be done by human beings has been done to make available for your Commission all possible information, but the information and the facts are not being brought out as they would be if we had Counsel reviewing those matters between your meetings, and then bringing information that we want you to have. We do not want any protection, but we do want the information brought out in a proper manner. Here you are talking about W40 power. There is no such thing.

THE CHAIRMAN: We shall be very glad to have you stay, Sir Adam.

SIR ADAM BECK: These witnesses should be examined by competent Counsel, and, in that way, the facts could then be brought out. I ask again, and I believe that we should be allowed to be represented by Counsel, as I see it, and as all my associates and staff see it, but if you say it is a waste of time and you are not going to be bothered with it we must, I suppose, submit to your ruling.

THE CHAIRMAN: We have not had Counsel. You have no Counsel except Mr. Lucas.

SIR ADAM BECK: You have the Attorney-General cross-examining, you have yourself, and others prompting you.

THE CHAIRMAN: Certainly the Attorney-General is here. The Attorney-General is here as a witness.

HON. MR. RANEY: I am only here because I understood from the paper reports that Sir Adam, and others, had made certain statements as to the responsibility of the Government in connection with those matters.

SIR ADAM BECK: Mr. Attorney-General, if I am called to the witness box again I am going to ask you to be present to ask me those questions, and allow me to explain them.

THE CHAIRMAN: I am very sorry that you should go away. We feel you should stay here and ask all the questions you desire to ask.

Sir Adam Beck then left the meeting.

HON. MR. LUCAS: You are leading me, as I said before, into a discussion which I have no desire to go into, and which practically is an argument.

THE CHAIRMAN: We are just referring to the documents. I referred to a letter from the Hon. Mr. Ferguson, the Minister of Lands, Forests and Mines?

A--And then you asked me, if in view of Mr. Ferguson's letter, the Government could reasonably cancel the concession and, in that way, force them to take power, and my answer is to read to you the extracts from Mr. Kilmer's letter, acting as Counsel for the Government, of September 22nd, 1920. His letter is before you, in which he reviews the circumstances, and reaches this conclusion:

"It follows from the above that, if the mill is not constructed and ready for operation in accordance with the terms of the original agreement at the time when the power is actually available at Port Arthur, the grantee and his successors are in default, and the Crown will then be entitled to revoke the right, license or permit to cut, retaining sums paid to the Crown as liquidated damages for the breach. Attached hereto is a copy of the agreement of the 9th of May, 1917, and the extension agreement of the 8th May, 1918."

Now, I say that is not my opinion, that is the opinion of Mr. Kilmer, Counsel for the Government, that the Government, under clause 14 -- I think I said clause 13 before --

Q--That is, if the power is available? A--That is if the power is available. Now, the power was available.

Q--But it wasn't available? A--The power was available, if my recollection is correct, in December, 1920. The engineers will tell you that, and I think it is now available and was available, my recollection is now, in December, 1920.

Q--It isn't available, is it, even at the present time ?

A--Yes, the engineers tell me it is.

Q--How much power was to be available ?

A--Perhaps you had better ask that from the engineers.

Q--That would arise under the agreement, I suppose, the agreement would provide the amount of power available?

A--Why, Mr. Chairman, the whole trouble is that we have power available, practically available. It may be that there is a line/^{to be} constructed to carry the power through, but power is practically available, lying idle, and that is the whole crux of the thing, and yet you are quibbling here saying that the power isn't there available when it is there available.

Q--I think you will find there isn't sufficient generating capacity to supply them even today?

A--That is for the engineers to say, that is an engineering question.

Q--Surely the line is a very important part of the system? A--You wouldn't ask them to build a line to a plant that isn't in existence, and the first sod not turned ?

Q--I don't know. Mr. Ferguson goes pretty far in his letter. He says that they shall not be required to build until the power is there available for them.

A--If you read Mr. Kilmer's letter, he considers that is a very ridiculous construction to put on the contract. There are other letters, if you wish me to read them, supporting the same proposition. On September 13th, 1920, Mr. Kilmer writes after the litigation has commenced, after the suit is in Court, in which you were endeavouring to have a declaration that the company was bound to take Hydro power, Mr. Kilmer writes a letter in which he says or points out that no useful purpose can be served by this

lawsuit. He suggests dropping the lawsuit. His letter is at greater length.

Q--I think when he wrote that he found that what he had been relying on, that is, power available, couldn't be established, and that power was not available, and, therefore, he couldn't succeed in the lawsuit. A--That is not what he says. In another letter dated September 24th, 1920, he says he has investigated, and states that the Great Lakes are simply speculating with this concession. I am speaking now without the letter before me, and he also says something to the effect that they had been offered a million dollars for the concession.

Q--So far as you know, there is no evidence on which to base that statement? A--He says he investigated it, and he so reports.

Q--And when those people come here and offer to give assurance that they will spend a large amount of money within a certain time -- A--Mr. Kilmer says he has investigated the circumstances, that they are speculating with the concession, that they are stalling for time in order to sell the concession, and, finally, having reviewed the circumstances he says, in his letter, it is a matter for the Government to adopt their policy.

Q--Mr. Lucas, you refer to the lack of bona fides on the part of the Great Lakes people. I think it is only fair to them to say that Mr. Hellmuth, their Counsel, wrote to them at the same time, September 20th, as follows:

"I am personally convinced of the bona fides of my clients, etc. etc."

A--That is the letter from the Counsel for the Great Lakes. I have read you the letter from Counsel of the Government.

Q--So we have both sides of it. A--And Mr. Kilmer's

letter of March 15th, 1921.

Q--I think they did follow Mr. Kilmer's advice and the Courts decided against them ? A--No, Mr. Kilmer advised withdrawal and discontinuance of the suit. He said they are not conducting it in good faith, withdraw, you have the remedy in your own hands. On March 15th, 1921, after the litigation was at an end, after there was judgment declaring that the Great Lakes were not bound to take Hydro, Mr. Kilmer, Government Counsel, wrote declaring that the Great Lakes are not bound to take Hydro and points out that the judgment helps nobody, there is no other power available, and the Government can force the issue, and while the Great Lakes construction of the contract is absurd still, on their own construction, the Government are clearly entitled to cancel the concession.

That is my answer to your question.

Q--Have you read the whole of that letter of Mr. Kilmer's ?

A--I haven't it before me. I have read them, but I haven't them here.

Q--I think that reading it altogether would perhaps give one a better idea of it than just reading the extracts from it?

A--There are many pages of those letters, and they are there for the Commission, and that is what I say, you are leading me into an argument rather than a discussion.

Q--Well, we are just asking you questions about certain concrete facts which are presented to us, certain documents ?

A--You may have a different interpretation to put on them than I have.

Q--We are trying to hear your interpretation so that we may be guided to a right conclusion ? A--You see what I am getting at, Mr. Chairman, is, - at least my case is that they were ordered to make this construction by one Government, that is clear, and the Government didn't come through, and

where the fault lies is not for me to debate.

Q--I have here an opinion of Mr. Kilmer's dated 12th May, 1920, Mr. Lucas, shortly before that in which he goes over the whole question. That is before the action was brought, you know. This is the opinion of Counsel in which he says:

"The next question is as to the obligation of the company to take from the Government through the Commission, at cost, the power for its undertaking. In our opinion legislative or executive action to enforce this obligation would not be justifiable."

A--He evidently changed his mind after he had gone further into it.

Q--It would make things clear if I were just to read that letter. This is written after the action had been brought. This is a letter from Mr. Kilmer --

A--Mr. Chairman, you see how unfair it is to me, because it puts me in the position of debating this question.

Q--Mr. Lucas, you said distinctly that the Government should have begun action, or taken action to cancel this concession? A--No, I didn't. You read Mr. Ferguson's letter, and then you say how can the Government or anyone take action after that, and I read you Mr. Kilmer's letter in reply.

A--Yes. You took the ground the other day that one reason why this company was not buying power from the Hydro was because the Government hadn't enforced the rights which it had to compel the company to take power, and that, of course, raises the question as to whether or not the course is advisable. A--I do not want to debate that, as to where the fault lies, but my point is that the Commission were directed to make the development to take care of a

company that had not then even turned a sod.

Q--This is the letter written on September 24th, 1920, from which you have been quoting, addressed to the Attorney-General:

"After the receipt of your instructions to discontinue the action against the Great Lakes Pulp & Paper Company, Mr. Hellmuth called on the 20th instant and intimated that he had heard a rumour that the action was not to be proceeded with. He said that he proposed to resist all determination of the action in any other way than by trial.

There are three courses open to the plaintiff - first, to move for leave to discontinue under the rules, second, to refuse definitely to proceed with the action but without discussing, third, to let the action proceed, but to delay it as much as possible. With regard to the first two of these courses, the defendants may cause trouble. As to the first by asking for leave to discontinue the plaintiff will submit to the rule as to discontinuance under which terms may be imposed such as the issue of a fiat for an action by the defendants covering the same subject matter. As to the second course, the defendants might pass the record and set down the action for trial when it would come on the peremptory list in the usual way. It would be necessary then to appear and say that the plaintiff did not desire to proceed. There are English authorities in certain special actions to the effect that the Attorney-General has this right, but it is not clear that these are applicable or would be followed here. If, however, the Judge decided to proceed with the hearing, the only course would be to withdraw and judgment would then either be entered on default dismissing the action or upon the

"evidence which the defendant would put in.

Neither of these two results is desirable, and either of these courses would give the defendants an opportunity of making a strong public protest in Court against the action of the Crown on the ground that they were being unfairly treated.

As against these considerations it does not seem to me necessary to take any definite steps to stop the litigation, because if the Crown's course in this matter is to cancel for default in construction it would make very little difference whether the litigation about the obligation to take power were still pending, or, if judgment had been given, what that judgment was. The two questions have really no connection with each other.

From reliable information which I have obtained I do not think the defendants have any intention of proceeding with the construction of a mill under the terms of the original concession. They have offered the Limits for sale subject to all existing conditions and defaults, for the sum of \$1,000,000 or one-half interest for half that amount. Mr. Hellmuth's instructions on which his letter to me of the 20th instant was written are apparently not true in fact. Further than this Mr. Carrick communicated with my office on the 5th of August last and stated that he was negotiating the sale of these limits for \$1,000,000 and asked us for an assurance that the issue in the pending action only involved the use of Hydro power - - "

"It seems to me the course to be taken depends upon whether the Great Lakes Company are endeavouring to make a large profit out of the sale of this limit to

"user of pulpwood or whether there is any real intention of carrying out the terms of the original concession. If they are merely selling, it would be a repetition of the objectionable practice whereby a concession is obtained from the Government and an enormous sum of money is demanded as the price of allowing the actual manufacturer to use the wood.

That the litigation is not being carried on with the intention of determining the question at issue and carrying out the terms of the concession appears to be the case for the following reasons:- "

Then he makes the remark, there is no power available elsewhere, and then he continues, further down:

"Under these circumstances I think it would be as well for the present to simply delay the prosecution of the action until the course of the Government with regard to the default in construction is determined, and, if the Government decides to cancel for default in construction as soon as the Hydro power is available, to let the pending action go on, but as slowly as possible."

So Mr. Kilmer evidently held the opinion that the Hydro power was not available at that time ?

A--What time was that ?

Q--September, 1920. A--It wasn't available until December, 1920, and then at that time the Government could cancel the concession if they saw fit, or make them come through and sign a contract.

Q--Then you do not take the view that the Government had power and might properly have cancelled the contract under the circumstances as they existed ? A--As they existed when power was available ?

Q--Yes. A--That is taking the company's own construction of the contract, that power was available, but my view was clearly that the Government could then have cancelled

the concession.

Q--The matter was gone into by the solicitor for the Crown Lands Department. We have his opinion here given at the time, in which he reported that the power was not available ? A--When was that ?

Q--December, 1921. A--Well, if power is not available that is for the engineers to say. They will technically tell you what that is. There is surplus power there, and it may be that some of the lines to deliver it are not constructed, but the technical side of the engineering I am not familiar with, but if it is not available it can easily be made available, and it seems absurd to say that we must build a line away to wherever this mill is situated, or to the site of this mill the first sod of which has not been turned, and say, now, here is the power but there is no mill.

Q--And it might not take it after the line is built ?

A--It seems to me that that is so absurd it wouldn't be argued anywhere.

Q--And that shows how important it was to have made that a condition, to have a firm agreement to take power, so that if the power was supplied they would have to pay for it ?

A--That isn't my answer, but my answer would be argumentative.

Q--That was the position the Court held, that is what Judge Rose in his Judgment says ? A--That is my interpretation.

Q--We have to abide by a Judgment of the Court whatever our views may be ? A--That may be, but I stick to

Mr. Kilmer's interpretation.

Q--But the Judge has the last word.

COMMISSIONER HARRIS: Is not the crux of the whole situation this, that the Hydro had decided they were not going to provide power for the Great Lakes Pulp & Paper Company? They say so in the correspondence ?

A--If they did, why, then, my argument falls to the ground.

Q--Well, it says so? A--Then the engineers who are familiar with that should answer.

Q--It says that they haven't been able to make a contract with the Pulp & Paper Company, therefore, they are going ahead with the development and they are not providing for the Great Lakes.

A--My understanding is, Mr. Harris, that they did do so, but I would much prefer you ask the engineers as to what they actually did.

Q--The letters state that they did not .

THE CHAIRMAN: I have here a letter dated September 13th, 1918, from Mr. Pope, Secretary of the Commission, to Mr. Carrick:

"I am instructed to advise you that the Commission is about to proceed actively with the development of power on the Nipigon. Since forwarding you, some time early last year, a proposed contract for a supply of power, in answer to your application, no answer has been received and the Commission have had no further advice as to your intentions or definite requirements with respect to power.

In view of the high cost of equipment and materials, the Commission propose to install only such works as will meet the immediate requirements for power on existing contracts --"

Now, there were no existing contracts then. Proceeding, he says:

"And unless the Commission receive a definite contract for the supply of power, it will be unable to consider future requirements you may desire to provide for."

You will find that, in Mr. Gaby's estimates, he

doesn't mention the Great Lakes? A--Mr. Chairman, is there surplus power at Nipigon ?

Q--Yes, but not sufficient to meet the 17,500 h.p. which the agreement provides the Great Lakes shall have.

COMMISSIONER HARRIS: There isn't any surplus power at Nipigon ?

A--Technically, perhaps not. If you take the agreement and the requirements of Port Arthur they have no surplus power ? A--I can only again state that that is the engineering side of it, with which I am not quite familiar. What is required to make it immediately available is a matter for the engineers and not for me. The engineers are here available.

THE CHAIRMAN: Here is a letter dated December 11th, 1918, from the Chairman to Mr. Matthews.

(Chairman reads letter in question).

A--I say it is an absurd construction to put on it, that they must actually go on and develop the power, and make actually available power, with lines to go to a plant the first sod of which has not been turned.

HON. MR. RANEY: Q--What if that is the legal construction of the document ?

A--My answer to that is this that no Government is bound to follow so absurd a construction of a contract.

HON. MR. RANEY: Mr. Chairman, I wanted an opportunity of saying some things to the Commission, in view of some statements that have been made. I have a Council meeting at 12 o'clock, but I will stay if I am required now, but if not I will come back this afternoon.

THE CHAIRMAN: Do you want to say anything more, Mr. Lucas ?

HON. MR. LUCAS: Oh, no, I am only answering questions. I don't want to say anything. I didn't know I was going to be

called.

Q--As to the supply of power being available, the Commission further has the statement of the solicitor for the Department of Lands, Forests and Mines that the requirement was 10,000 h.p. ? A--Again I must say that I am not familiar with that side of it, and the engineers are here. There is just the one thing, and it is the only thing I anticipated having anything to say about when you asked me to come here, and asked me those questions which led me into this discussion, and that is as to the minor points in the Great Lakes contract about which they differed when they were nearly reaching terms. One of the leading ones dealt with the Strike clause, and you pointed out, Mr. Chairman, that there were a number of contracts in which the Strike clause was made mutual. I asked one of the engineers to have that looked up, and he can find none except the ones referred to by you, that is, the Dominion Sewer Pipe, the Port Credit, the Ontario Gypsum and the C.P.R. at Port McNicoll. In those four the Strike clause is mutual. One of those is dated August 23rd, 1917, that with the Ontario Gypsum. In that contract there was a right to renew it. It was an old contract and renewed, I think, about 1912, and then with the right to renew for a further period when it expired in 1917, on the same terms. That is the only contract since 1915 that contains the mutual strike clause. About December 1915 the Commission's standard contract with power customers was revised, and the mutual strike clause was stricken out and the standard clause was adopted, so that since 1915, if I am correctly informed, no contract with the mutual strike clause was entered into.

COMMISSIONER HARRIS: That answers that question?

A--Yes, that is the explanation.

Just one word more, so that it is perfectly clear. I am not here now, nor have I been at any time, as Counsel, but just sitting the same as any other body. I have not undertaken to cross-examine anyone and I certainly don't want the job.

THE CHAIRMAN: Although you were not present as Counsel you are Counsel for them, and were here all the time. Mr. Lucas, you will understand we want to get the evidence out from all quarters, as fully from one as the other, and we represent the Hydro just as much as we represent anybody else. We are here to get the evidence from anybody who is prepared to give it, and we want you, Mr. Lucas, to bring forward all the witnesses who can throw any light upon the questions upon which we have to pass.

HON. W. E. RANEY -- Examined

I do not know, Mr. Chairman, whether I am here as a witness, or what your practice has been.

THE CHAIRMAN: Our practice has been Mr. Attorney-General, to bring forward any witness who can throw any light on those matters which we have to pass upon. You will recall negotiations that you had with the Great Lakes Company some time ago? A--Yes. It was one of the troublesome questions that we found waiting for us when the Government came in, and one with which the Government laboured very strenuously for several months.

I notice, partly from the newspaper reports, and partly from a memorandum that has been furnished me, that some representations have been made to this Commission in respect of this Nipigon development and the relation of the Government thereto.

One of the statements was, that the Hydro-Electric

Power Commission was not responsible for the failure of the negotiations with the Great Lakes Company for power. So far as those negotiations were carried on, with the knowledge of the present Government, I have a very distinct impression I was very intimately associated with the negotiations. At one time I thought I had the parties quite together. I think there is on the file a draft agreement, amended in my handwriting, to which, I think, the Great Lakes Company assented.

As I recall it, there were two questions that remained for argument between the parties after the power price had been agreed upon, - I think the power price was agreed upon. One point was the strike clause, and the other was, I think, the matter of security. I did not regard either question as of any consequence at all, that is to say, having regard to the great issues involved, the great question involved and, as often happens in settling important agreements, the thing that you stress the most is the thing that never happens. I thought, and so expressed myself, that the Commission -- although not in the presence of the Great Lakes people -- might very well abate something in their standard form of contract to get this contract through. Our view, or that view, which was the view of the Government, was not adopted, and if the Government made any mistake the mistake was in allowing itself to be dominated in this particular matter. The Alternative might, perhaps, been serious. The question was whether the Government should insist on this contract being put through. Perhaps it might have done that.

In the result, after having exhausted every effort to get the parties together, the session being then on, that is, our first session, the Government decided to withdraw from the negotiations and leave the matter to the Hydro

Commission and to the Company, and nothing came of their negotiations afterwards. The correspondence, I think, shows fairly well the progress of events. Where the responsibility rests for that failure I am not inclined now to say or to give any opinion.

If the Commission desires to go more fully into that I can refer, I think, to the correspondence.

Then the next statement made was, that the Government should have followed the advice of Mr. Kilmer, its Counsel, and compelled the company to take Hydro power, or, in the alternative, should have confiscated the limits. You, Mr. Chairman, have referred already to the opinion, a very carefully considered opinion, given to the Government on the 12th of May, 1920, before the litigation was started, by Messrs. Kilmer, MacInnes & Robinson, signed by the three of them.

I am not quite sure that Mr. Kilmer's former connections were with the Hydro Commission; Certainly Mr. MacInnes and Mr. Robinson were Counsel for the Commission, so that whatever they say, I think, may be taken to have been the attitude of the Commission itself at that time.

I will not now stop to read it, but I would ask the Commission to read that opinion very carefully, because there is a great deal in it that will assist you in coming to a very clear conclusion as to the condition, and as to the responsibility for the situation. It concludes, after several pages of statement of fact, and argument, with the expression of this view:

"We should advise, therefore, that the Government should now notify the company that an adequate supply of electrical power for the operation of the mills provided for in the agreement of May 9th, 1917, will be made available for the company not later than February 1st, 1921; that the periods for the expenditures by the company called for by that agreement will run from the date when the power is made available; and that the company will be held strictly to these periods. As soon as the power is ready for delivery, the Government should give notice to that effect to the company. We do not think it will be necessary that a transmission line to the company's site should be built before the latter notice is given."

On that subject of available power, which becomes important, in view of the terms of the agreement made September 8th, 1913, a perusal of the correspondence will show, I think very clearly, that the amount of power required by the company ranged somewhere from 13,000 to 20,000 h.p. You will bear in mind that they were seeking to establish that power was^{not} available ample for their purpose, and their brief would be to increase the requirement, to show a larger quantity of power, and it it would be open to them to refer to the documents to show that they required power somewhere up to 20,000.

Q--I think in the agreement submitted by the Hydro the figure was 13,500 ?

A--The material will show that there never has been available, for the purposes of this company, more than 10,000 h.p., and that the quantity actually available now is less than that.

Then their argument would be, even if they were

liable to take power from the Hydro, which I will discuss in a moment, the plain terms of the extension agreement are that we are not called upon at any rate to be ready until this power was available, which would mean, as Mr. Lucas says, we would have to have the power lying there somewhere up to 20,000 horsepower. It might be 17,500 horsepower, according to the draft agreement, which would not necessarily bind them, lying there waiting for them until their mills were built, and then they would not be bound to take it.

That was the situation that influenced us very largely in making them the agreement which we did make in 1922, that is, this year.

The last paragraph of the opinion reads as follows:

"Upon this point, therefore, we should advise that the Government should take immediate legal proceedings to compel the company to take its power from the Government, and should inform the company at once of its intention to do so."

To take legal proceedings. These proceedings were commenced, asking for a declaration that this company was bound to take power from the Hydro Electric Power Commission

At a later stage, the counsel - Mr. Kilmer - came to us and said no good purpose is going to be served by this litigation. Then he further considered the matter, and came to the conclusion - that is the letter that has been partially read - you will not be able to discontinue it, they will not let you. It is a case of the dog that wanted close to the lobster trap and the lobster caught him by the tail. The lobster said call off your dog, and the dog said call off your lobster. We did that, with the Great Lakes Company, and they wouldn't allow us to retire.

It wasn't a case of being able to discontinue. The case went on for trial, and the decision of the Court was that the company was not bound to take power from the Hydro.

Now, Mr. Kilmer's letters, to which Mr. Lucas has referred the Commission, were written before the decision of the case, before the Judgment was given.

HON. MR. LUCAS: One of them after, Mr. Raney.

HON. MR. RANEY: The letter after merely told us what the Judgment was. The letters merely drew attention to the fact, or the effect rather of the default clause, which we knew all about, of course, all the time, but if the Government couldn't fairly exercise the right of declaring the company to be in default while the maintaining of the company's obligation rested on the documents, without a Court decision, how much less could it do so when the Government itself had invited the judgment of the Court, and had obtained an adverse judgment.

We had to bear in mind, of course, that we were dealing with a foreign corporation. Much of the capital in the north country is brought in from the United States. We have to be even more careful of the rights of these people than of the rights of our own people. Once it got abroad that the Government was refusing to follow the judgment of its own Court, what position would we be in with regard to the investments of other people, not only of people from our own Province but of people from abroad. We must have some regard to the decisions of the Courts, even though those decisions may be technical decisions. People have a right to resort to defences. If you bring a man into Court and seek to force him to do something he has a right to avail himself of every defence that is open to him.

I never had any doubt but that the real understanding between the company and the Government was that the company would take this power - I am not talking politics now,

it is only a question of fact - but the difficulty was that neither the Government nor the Hydro Electric Power Commission took the precaution to bind the Great Lakes Company, and then when the controversy arose we had the situation that we couldn't force them.

As I said, we got so close together that there was nothing, as I understood it, really between the parties with the exception of this strike clause and the question of security, and those things I succeeded in putting into such shape that I thought was entirely fair and reasonable, but the Hydro Electric Power Commission wouldn't accept them. They stood by their standard form, and then the Government withdrew.

So that, in the first place, my answer to the statement that the Government ought to have followed the advice of Mr. Kilmer and compelled the company to take the hydro power, or, in the alternative, confiscate the limit, is, no such advice was ever given, and, in the second place, if it had been given - and this is the most important thing - it wouldn't have been acted upon. We did act upon the advice of their counsel for the bringing of the action. They thought the litigation should be under the control of the Government, and we, therefore, brought the action, Under the exact arrangement they advised. Having done that, and procured the Judgment of the Court, at our own instance, that the Hydro had no claim, and the Government had no claim to compel the use of Hydro power, then the question was whether we should confiscate the limits, or whether we should agree to a new contract which would be made on a basis about which there could be no cavil.

Even on that point, we went just as far as we could. Early this year, I think it was, or late last year, we summoned the Great Lakes Company to appear before the

Government and show cause why their concession should not be cancelled. Here was an instance where we could do nothing. Our advice was that the power wasn't available. At any rate, they came here to show cause why their concession should not be cancelled, and there was a long negotiation resulting in the agreement of March, I think it was, of this year, by which the thing is put on a firm and definite basis. The extension agreement is cancelled. We are not compelled to furnish them with power at all, they are not compelled to take power from us; they get power where they can. It is true that the Hydro is, perhaps, the only available power, it will appear so, but if they can get it anywhere else they are quite free to do so.

Q--When you say the extension agreement is cancelled, which do you refer to?

A--The 8th of May, 1913, under the terms of which it was provided they were not required to turn the sod, or lay a brick or a stone, until power had been made available. That agreement is cancelled, and we are working now on the original agreement for the purchase of the concession, and they are definitely bound to do certain things by certain dates.

Q--What dates?

A--Well, the document is here:

"The Grantees shall expend the sum of \$2,000,000.00 in connection with the providing of pulp and paper mills, their equipment and machinery and such other mills, buildings, developments and structures as are necessary to the undertaking. Such mills, buildings, developments and structures shall be located on the site approved by the Order-in-Council dated the 25th October, 1920, being the so-called Mission Site adjoining the City of Fort William, or at such other site as may hereafter on the application of the Grantees be approved by the Lieutenant Governor in Council.

Of the said sum of \$2,000,000.00 there shall be expended not less than \$400,000.00 before the 9th day of February, 1924, and the remainder of the said sum of \$2,000,000.00 before the 9th day of February, 1925, it being distinctly understood that the expenditures of the said sum of \$2,000,000.00 as aforesaid, and the employment of hands as hereinafter provided, shall form part of the consideration for the price of the pulpwood and pine timber upon the said limits, and that the cutting of the said pulpwood and pine timber may begin as soon as and when \$400,000.00 shall have been so expended."

These items are legal certainties. It has been suggested that we ought not to have agreed to this company being freed from its obligation, as it is called, to take Hydro power. We didn't release them from that obligation. The Court said they never were under that obligation. It is said we had the whip hand. We didn't have the whip hand, we never had it. We were tied hand and foot. Our business was to get ourselves free, so that we did nothing to release those people from any obligation they were under at all, it being distinctly understood that the expenditures of \$2,000,000.00, as aforesaid, and the employment of hands as hereafter provided, shall form part of the consideration for the price of the pulpwood and pine timber upon the said limits, and that the cutting of the said pulpwood and pine timber may begin as soon as and when \$400,000.00 shall have been so expended.

I am still quoting from the agreement:

" The Grantees covenant that the said pulp mill shall be of, and shall be operated to, such capacity as the Minister of Lands and Forests in his discretion may determine, and that they will before the 9th day of February, 1925, erect and have completed on the site

above mentioned, a paper mill having a capacity of at least 100 tons of paper per day and after the erection and completion thereof will operate the same continuously for the period of this agreement, so that the daily output shall not be less than 100 tons of paper, and the Grantees covenant that they will keep employed in connection with the said pulp and paper mills when completed at least 600 employees on an average for at least ten months in each and every year.

In consideration whereof the said agreement dated May 8th, 1918, hereto annexed, and marked Exhibit "B",-that is the extension agreement-"is hereby abrogated and the Grantees hereby waive all rights, if any, which they may have or claim to have against the Government under or by virtue of any other document or any agreement whatsoever to obtain from the Crown a lease or leases of water power or water powers,- but do not waive their right to make application to the Government in the ordinary course for the granting of a lease of a water power."

Under the condition of sale, they undoubtedly had the right to a water power, and, in his Judgment, Mr. Justice Rose said that he wasn't prepared to deal with their contention that the Government was bound to give them a water power until the Government had failed in making power available. If the Government failed to make power available then they would be entitled to go to the Courts and ask for a declaration that they were entitled to another water power, because the condition of sale under which these limits were purchased undoubtedly contemplated that they should have water power, and this was the water power that was in the minds both of the Commission and of the tenderers.

Q--Now, Mr. Chairman, I don't know that I need say much more. The other statements were, as they are reported, that the agreement between the Government and the company dated March 22nd, 1922, was unnecessary and ~~in~~expedient, unnecessary, I suppose, because it is said we ought to have cancelled the concession. Inexpedient, I suppose, because it is suggested that we ought to have insisted on these people taking Hydro power. What would be the use of our insisting on that when they had litigated the point down to a Judgment and obtained a Judgment in their favour? Was it likely that they would turn around then and bind themselves to the very thing that they had resisted, expending months of time and thousands of dollars going to the Court to have determined.

Just in that connection, there was an editorial written the other day in one of the newspapers, the Toronto Globe, on the 6th of October, an editorial on the Nipigon project. It contains this sentence:

"The Commission has been let down by two successive governments."

Well, now, I don't know that I need say anything on that point. We followed the advice of counsel for the Commission in starting this litigation, to have this question determined. We allowed ourselves to be overridden. We had previously allowed ourselves to be overridden by the Commission in the matter of the contract which the Great Lakes Company was then prepared to make in regard to power, so in what respect we let the Commission down we have difficulty in understanding.

COMMISSIONER HANEY: Do we understand, Mr. Rancoy, that the Commission were refusing to consummate this contract that was partially prepared with the Great Lakes Company?

A--I have no doubt that if the Commission had showed a little pliancy, had conceded something on this point - I may be wrong, but I didn't regard this strike clause, or the

amount of the security as in any way vital to the agreement, and, as I say, I do not see any reason why there should not have been some concessions made to get to an agreement and get this industry going.

THE CHAIRMAN: Was the enforceability clause adjusted at that time, the enforceability of the contract, or was that one of the minor points?

A--That was one of the minor points, I think. I don't recall just how they were adjusted, but we succeeded in getting them satisfied. I pointed out to them with regard to that, I remember, that they had the right of arbitration, which was practically the same thing. So far as that was concerned, I didn't think that was of any consequence at all, or of any special consequence.

Q--But the negotiations, as I understand it, had reached the point where, in your judgment, a contract might have been completed, and was turned over to the Hydro to consummate, and it wasn't consummated?

A--Yes. Sir Adam Beck was in Europe, and you will find the cablegrams that were exchanged here, and you will find finally Mr. Drury's letter in which he points out how we came to that conclusion with great reluctance.

Q--And, consequently, the Hydro is without a revenue that it might have had if the contract had been consummated?

A--My recollection is - and I will speak subject to correction - and I say this now because the whole matter has been adjusted, I couldn't have discussed this matter so frankly before this agreement of February 22nd, but the matter being now adjusted between the company and the Government there is no reason why I shouldn't say just what happened, and that, in view of the foregoing, this is another statement, I understand, of Sir Adam Beck's, the Government should assume the deficit consequent upon the

company's failure to take Hydro power. Well, that is predicated, I understand, also, on the statement that the former Government was responsible for this development.. It is reasonable, I have no doubt, in a sense, that the former Government pass an Order-in-Council authorizing the development, but beyond that, or behind that is something that is beyond my knowledge, that is, whether the initiative was taken by the Government or whether it was taken by the Hydro Commission. I suppose the correspondence of that time will indicate.

If any member of the Commission has any question to ask, I will be glad to answer it, if I can.

COMMISSIONER HARRIS: I think that clears up the main point at issue, as to the Government's moral responsibility.

A--While we laboured with this thing, as we hardly laboured with anything else, we were, of course, fresh in office. The whole thing was new to us. I thought then, and I still think, that the Government was in an extremely awkward position. The Hydro was in an awkward position, and I felt it was a case where the Hydro and the Government should collaborate, and try to get the thing cleared up. The Government did what they thought they had to do, but, as a result, you have the situation that we have now, and if anybody will show us, on the facts as put forward here, that this Government could maintain its face after getting the Judgment that it did get from the Courts, and confiscate the limits of these people, I think that they will have difficulty in convincing anybody that that ought to have been the action.

THE CHAIRMAN: Have you any questions that you would like to ask, Mr. Lucas?

HON. MR. LUCAS: I am not Counsel.

THE CHAIRMAN: I didn't ask you as counsel, but as representing the Hydro.

HON. MR. LUCAS: Mr. Raney has made his statement, and his argument is before you.

THE CHAIRMAN: Mr. Pope, would you like to ask any questions of Mr. Raney, or make any statement bearing on what he has said?

MR. POPE: I have nothing to say, Mr. Chairman.

HON. MR. RANEY: I think that point might be cleared up, the question as to whether or not power is now available to the extent that answers the terms of that extension agreement.

HON. MR. LUCAS: Mr. Gaby is the proper witness for that. We can have him here at any time you want.

THE CHAIRMAN: We have a letter from Mr. Gaby, in which he says there was 10,000 horsepower available at that time.

COMMISSIONER J. ALLEN ROSS: Mr. Chairman, you stated that at the time you turned over your negotiations on the Great Lakes proposition to the Hydro it was practically completed.

HON. MR. RANEY: Yes, and I would say that, perhaps, we were dominated by the Hydro to the extent of giving them the right to decide one way or the other.

A--Yes? you were dominated by the Hydro to that extent. Now, wasn't the Government in a position, at that time, knowing what the Hydro's Judgment would be, to tell the Hydro what to do?

A--Well -

Q--Wasn't there an issue there right at that minute?

A--That is what I said a moment ago, that you may blame us if you like.

Q--I am just trying to be clear on that.

A--I say if we are blameworthy then we are blameworthy.

Q--Without turning it over to the Hydro, knowing what they would do?

A--I cannot say that I can go that far, because, of course, there was always the expectation that either the company might yield or the Hydro might yield, and they might get together. If the Government had known that there was no prospect or possibility of their getting together, and that the case would have developed as it has developed, it is quite likely that the Government would have taken a firm attitude even at the risk, mark you, of over-ruling the Commission, which might have had serious consequences, because it isn't the case of the Commission being altogether a Commission dealing with governmental affairs, dealing with contracts between the Commission and the Municipalities, it is not a case that contemplates that the Government shall expend any money itself, but if we had known then what we know now, that there would be a deficit, when it came to operation, of nearly \$400,000.00 a year, and that the Hydro would be coming to the Government to ask the Government to take care of that deficit, the Government would have, no doubt, taken a different attitude then.

THE CHAIRMAN: The Government could have signed the contract itself. If there was a contract to be executed by the Commission you could have issued a mandamus compelling them to execute it.

HON. MR. RANEY: It would have come to this situation, if the Government had insisted on this point, that probably would have been a resignation, wholesale, of the old Commission, and then the Government would have stepped in and taken charge of this development. At that time, I think the expenditure was about \$2,000,000.00. If we had gone to the extent of accepting the resignations of the Commission, and appointing new Commissioners, it would have made a situation that would have been very difficult.

COMMISSIONER HARRIS: It never had been done up to that time.

HON. MR. RANEY: It would have created a difficult situation.

THE CHAIRMAN: It would have had consequences far beyond the Nipigon development.

HON. MR. RANEY: Yes. I can only say that the Government exercised all the pressure that it felt it could to bring about an adjustment, without going to the extreme limit.

Q--Might not the Government now, in view of the conditions as they have been disclosed here, possibly take the matter up with the Hydro again, and see if it would be possible to work out an agreement?

A--We would be very glad to do anything we can, very glad indeed. I am not in touch now with what the difficulties are. I think the price is the difficulty now.

Q--I don't think they are so far apart. There is the question of a transmission line that has been brought before us?

A--I haven't had the matter under consideration.

Q--But if the Government could be of any help?

A--We would have been glad at the time this agreement of February, 1922, was made, to have helped. We would be glad even now to try and fix the agreement.

Q--I am recommending that. Sir Adam suggested the other day that there should be a conference between the Hydro and the Government?

A--The Government will be glad to lend any assistance they can for an adjustment.

SIR WILLIAM HEARST - Examined.

THE CHAIRMAN: Q--Sir William Hearst, you were Prime Minister of Ontario from 1914 to 1919?

A--I was, yes.

Q--I think you have been here during the session to-day and have heard the discussion that has taken place?

A--I have been here all the time.

Q--At our last sitting, Sir Adam Beck made the statement, as follows:

"Q--What you propose in the Nipigon case is that the Government shall take care of the deficits for the time being?

A--The Government is responsible, morally responsible for the deficit on account of the operation of that plant, owing to the fact that we were definitely directed to provide power for this pulp company, to meet the demand of the pulp that would be sold from time to time by the Government. The Government directed us to instal a plant sufficient to take care of this Company's business, making available 75,000 horsepower ultimately."

So far as you know, Sir William Hearst, is that a correct statement of the action of the Government at the time?

A--I am a witness, not a judge.

Q--No, but from your knowledge of the facts, is that a correct statement of the facts?

A--I think the negotiations are set out in the correspondence which you, sir, have on file, or which will be available.

Q--We have that?

A--It appears to me it is for the Commission to form the conclusion from the correspondence, and not to ask me, under the present circumstances, to come in and say whether

or not what the witness said is a proper deduction from that correspondence. I am not seeking to evade anything.

Q--But the correspondence might not bear that out altogether, but we understand there were a number of interviews. Was Sir Adam a member of your government?

A--No, sir, he never was.

Q--We understand there were a number of interviews between Sir Adam and yourself, suggested by certain correspondence between you. In these interviews were any verbal instructions given which do not appear in the correspondence?

A--I do not think there were any interviews bearing upon the questions of development. Mr. Wegenast was good enough last night to give me a file, which I only had an opportunity to read over hurriedly, with reference to the correspondence, and the history of the case, I think, is well known to the Commission.

The Nipigon limits were offered for sale on the usual terms, with the right to the successful tenderer for the lease of a water power, on the usual conditions, for the purpose of manufacturing pulp on this concession. That had been the practice that had been followed up to that time. Anyone will well know that you could not expect to get the best result in a public competition unless the parties tendering for them would have power for the manufacturing of the pulp. These concessions were put up in the usual way, and they went to the highest tenderer. Subsequently, as has been discussed, arrangements were made whereby the successful tenderer released any right which he might have to the power, and he was to have power from the Hydro Electric Power Commission at cost, in order to carry on and manufacture the product of his concession.

Q--Then how did Cameron Falls come to be considered by the purchaser of the concession?

A--I don't know that it was.

Q--It is referred to as though they had a right to Cameron Falls. They would have a right to develop it there unless the Hydro would supply it at cost?

A--I don't think there was any particular right to that, so far as I know the facts, and I don't pretend to have an absolute knowledge of them. The only power available in that section, the only places where sufficient power for that plant could be created, in the hands of the Government, were the powers on the Nipigon River, but if my memory serves me right, there is more than one power on the Nipigon River.

Q--Three powers?

A--That is my recollection, and that there was perhaps some question even among Engineers as to the most economical method of development of these powers, but I am not speaking about that now, and then in the correspondence, that having been arranged, there is no doubt the Government informed the Commission, or said to the Commission "If you are going to develop that power, you must develop sufficient to take care of this concession, because the Government has undertaken to give that power in lieu of them giving up any right on the Nipigon, so that the Nipigon will be absolutely free for the Hydro Electric to develop as they thought best."

Q--But, Sir William, when was the allotment of the Cameron Falls development made, and why made to Mr. Carrick and his associates when you say there were other water powers on the river, and when the Hydro had already considered and made estimates as to the cost of constructing work at this particular spot?

A--When was Cameron Falls ever given to Carrick?

Q--It is referred to here, in all the correspondence, as the Nipigon Development, treated as the Cameron Falls

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Development, and no reference is made to these other water powers. Had Hydro any direct interest in it at that time?

A--I have no recollection of any allotment having been made, but the Government had to give the competitors an assurance that they would get power. We did that, and you know the ordinary terms under which power is given. The leases are the stereotyped leases, that require the power to be developed under the Hydro Power Commission. That meant making it sell at a price fixed by the Commission, so it wasn't a question of Mr. Carrick being in a position to develop the power as he liked.

Q--Yes, but why was the Commission told that if they took Cameron Falls they would have to provide power for Mr. Carrick and his associates when there were already, as you say, two other water powers on the same river, either of which might have been developed by Mr. Carrick?

A--Because the source of information, and advice of the Government, in hydraulic matters, was the Hydro Electric Power Commission. The Hydro Electric Power Commission had represented to us that it was in the public interest that no leases should be granted on the Nipigon River, and that the Nipigon River should be left free for public development, and that the Port Arthur people and the Port William people were anxious, naturally, to get all the light and power they could, and so it was felt in the best interests of every person concerned, when the arrangement was made, that the Carrick interests should take power from the Hydro Electric instead of developing it themselves. It was thought by every person that that was a good arrangement at that time.

You will remember it has only been in comparatively recent years that pulp companies have been willing, and thought it economically feasible, to take electric power for grinding pulp.

The rule used to be that you should have your development right where the pulp was ground, and apply the power hydraulically, and this proposition then was developed on transmitting electrical power to Port Arthur, or somewhere else, where you had an organization instead of having it developed at Nipigon itself.

Q--That hardly answers my question. Why did you tell the Hydro people that they must provide for the Carrick people in their development? Sir Adam bases his claim that the Government should pay the deficit on the ground that they were told that they must provide for the Carrick people, and that they went to additional expense on that account?

A--I don't see anywhere, and I don't think the correspondence will bear that out, where I stated it was to develop at Cameron Falls. What I said was that no development would be permitted at Nipigon.

Q--No development?

A--No development would be permitted at Nipigon that would not take care of the Carrick development, because I had said to Carrick, as Prime Minister, you will get Hydro power at cost -

Q--If he would give up his claim?

A--And he had given up his claim, and we, in lieu of that, had promised him Hydro at cost. How could I fulfil that undertaking unless the Hydro provided for power at Nipigon.

Q--Yes, but why did you have to give that undertaking at all?

A--I didn't have to give it at all.

Q--But you did, I understand, tell Carrick that if he would give up his rights to Nipigon he would have Hydro power at cost. Someone must have allotted Cameron Falls to him, because in the condition of the contract there is

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no reference to the particular spot?

A--Of course there is no reference to that particular spot, after the Hydro advising the Government said it isn't wise to give any power leases on the Nipigon River at all.

Q--Not any power leases?

A--Keep that river absolutely free for development for power purposes by the Hydro Electric Commission, and don't entangle it in any way in the least.

Q--And it was because of the position taken by the Hydro that you required Mr. Carrick to give up his rights?

A--It wasn't necessary. As I have said, I was approached. I think, perhaps first by the representatives of Port Arthur. I think Mr. Keefer came to me, or at least he was an intermediary, urging that it would be a good thing to have the Nipigon developed absolutely by the Hydro, and have that power transmitted to one or other of the twin cities, at all events by the Hydro, to the head of the lakes, and if an industrial development took place there, that it would assist in furnishing those cities with cheaper hydraulic power, and that it would be in the interests of all parties concerned.

Q--Why, Sir William - the inquiry suggests itself to me - if you had the policy in your mind of making the concessionaires take power from the Hydro, and so encourage the Hydro, did you not put that in force before you gave these water powers to Carrick instead of waiting until after they were granted?

A--I did not say that we had that policy.

Q--Mr. Lucas told us of your policy, I thought you said so too?

A--I said nothing of the kind, and I don't think Mr. Lucas said that that was the policy developed before these limits were published.

Q--It was developed after?

A--These limits were put up, as I say, in the usual way, with the right to a waterpower. Subsequent to that, the policy was devised -- and it was considered in the best interests of the country, and the development of it -- that no private leases should be granted on the Nipigon, and that Mr. Carrick, or other concessionaires, should take their power from the Hydro, and that was arranged. So that we were in the same position as though the limits had been put up with that condition attached.

Q'--Were you aware at the time the limits were put up that the Hydro was already making investigations on the Nipigon for the purpose of Hydro development, and were signing agreements with the municipalities by which they would take power from it, that is, when you gave Carrick the rights to this waterpower? A--My recollection is that that was not decided for some considerable time after the arrangement was made with Mr. Carrick, that the actual development would take place.

Q--The minutes show that Nipigon was considered, and that Mr. Lucas, as a member of the Government, was asked if the Crown was able to deal with those limits, and he assured the Commission that it was? A--Well, I can only say that to me it is rather unsatisfactory to be cross-examined on what you have the absolute proof of.

Q--I am not cross-examining you? A--You are, on what you have the absolute proof of in the documents. If I had had time to read the file which Mr. Wegenast gave me last night, I would have been better posted. I have no doubt it answers all these questions. It shows you the deliberations of the Commission, and the report of the engineers as to where the source of power should be. They might have expropriated the Kam power, they might have

developed Dog Lake, and it appears that all those things were under consideration, and eventually they decided to go to Nipigon.

Q--And were considering it early in 1916 ? A--I presume they were. They considered many things, no doubt, that I know nothing about.

Q--Had the Hydro made any representations before Sir Adam Beck saw you, after Carrick acquired the limits ?

A--In what capacity, sir ?

Q--In connection with the Nipigon power, did he take the matter up with you before Mr. Carrick? A--I don't remember.

Q--You don't recall that he did. What was the occasion of the letter that you wrote to Sir Adam Beck on the 26th of March, 1917 ? A--Will you be good enough to show me the letter ?

Q--Yes. A--That follows, if I may ask, does it not, very closely after my original letter to Mr. Carrick. Can you give me the date of that, Mr. Wegenast, my original letter. Speaking now, after the lapse of over five years, my recollection, the object of sending the letter of March the 26th was to make sure that I was in harmony with the views and ideas of the Hydro-Electric in sending the letter of the 27th of March to Mr. Carrick, so that there would be no misunderstanding as between the Government and the Hydro-Electric Power Commission, as to the arrangement. In other words, I didn't want the Hydro-Electric Power Commission to say "You have made some arrangement with Mr. Carrick that is not a proper one from the Hydro standpoint".

Q--Did you feel that, in making that arrangement with Mr. Carrick, you were assuring the Hydro of a customer?

A--I expected so, yes.

Q--You were aware that the Courts had held they were not bound to take power from the Hydro ? A--I am aware that the Courts held that. I have only had an opportunity of glancing at the Judgment since I came into the room this morning, that what had taken place, with this correspondence, did not constitute a binding agreement on the part of the Carrick interests, or their successors, to take the power. There are many things that enter into that Judgment, and how much those may have influenced the Judgment no one perhaps could say. But I want to point out to you this, sir, that the correspondence shows there was no intention of drawing a formal agreement between the Government and Mr. Carrick. After the statement made by me to Mr. Carrick, where I said that we would arrange through the Hydro-Electric Power Commission for power at cost, there was no necessity for a further agreement --

Q--But one was made in March, 1918 by which it was provided that they should not be required to do any development work until this power is available ? A--Might I be permitted to answer the question. What I am trying to point out to you sir, in that connection is that there was no necessity for, nor was any formal agreement contemplated between Mr. Carrick and the Government. The formal agreement was between the Hydro-Electric Power Commission and Mr. Carrick, because they had the engineers for that very purpose, to fix the price and terms. The Government was in a position to make Mr. Carrick carry out his agreement because that was the only place that he could get power. Carrick was the one that was sweating about getting the contract, not the Government at that time.

I want to say this that, from first to last, the Government could not have been more alert in having this matter consummated than it was. I think I am not speaking

beyond the correspondence when I say that, and I do not desire to add anything to the correspondence on that point.

Q--You had the whiphand because you had the Limit?

A--We had the Limit. They had given up the Nipigon power, which was the only power they could get except through the Government, or through the Hydro-Electric Power Commission.

Q--Why was it provided then, in the agreement that was made subsequently, with Mr. Carrick, that he shouldn't be compelled to make any development until the Hydro, which had no contract with him, made the power available?

A--Now, let me just explain a little bit. While Negotiations were going on with the Hydro-Electric Power Commission, Mr. Carrick was complaining that he wasn't getting ahead as fast as he would like; they were not getting together on the terms. He complained that the Hydro-Electric Power Commission were asking for certain things they were not entitled to. You will see in the letter to him, in which I point out that Mr. Carrick's obligations are covered by arrangement, in my letter, I think, of the 27th of March, that he was to have power at cost. In addition to that, in 1917, along about that time, I think, as Mr. Haney will perhaps remember, the Government was trying to mobilize the reserves of this Province to win the War, and we were thinking more of that than of Hydro development, and we were not in a position to tell the Commission to raise the money at that time for this development, and that we could not go ahead with it in war times and under war conditions, as then existed. So that you have the position. One was that the agreement had not been consummated with the HydroElectric Power Commission. The other was that we were not prepared to let the Hydro-Electric Power Commission go on and make a big expenditure during war time, because we were not in a

position to finance it. Then Mr. Carrick asked us, and not unreasonably, "You are not ready to supply the power, you haven't commenced development at all, and you shouldn't ask us to commence development on our limits until you are in a position to show us that you are going to have power ready for us."

Q--Did you do anything further than that ?

A--I don't think we did. I think the fair interpretation was that an agreement would be entered into so that power would be available when the plant was completed.

Q--The Court didn't hold that ? A--I don't think the Court has held anything about it, but I am not speaking now of what the Courts may or may not have held.

Q--The Commission seem to have taken that view ?

A--I am not speaking about that, but what I am trying to point out to you is, if you will read the correspondence in which Mr. Carrick plainly shows that that is his interpretation of it, Mr. Carrick's own letter, dated January 17, 1918.

(Sir William Hearst reads letter in question)

Q--It is claimed, you see, that power isn't even available yet? A--I am not arguing about that, because that doesn't enter into the agreement, but I do want the Commission to see the point, that the interpretation was, or what was in the minds of all, and what was necessary in order to carry out the agreement was that the two developments would carry on hand in hand.

COMMISSIONER HANEY: Q--Concurrent operations ?

A--Concurrent operations, that was the clear understanding of it.

THE CHAIRMAN: Q--But that doesn't agree with Mr. Ferguson's letter to Mr. Carrick ?

A--Well, I think it does. Of course, that is where you and I interpret it differently, and that is why I think it

is pretty dangerous to ask me as a judge instead of as a witness. I think Mr. Ferguson's letter, and the whole correspondence shows, whatever the legal interpretation would be, the clear understanding of the parties, that is, that the users would not be called upon to go ahead with their development until they had a firm agreement with the Hydro to supply them with power, it was understood that the two developments, the two works, would go on hand in hand, so that the mill would be ready at approximately the same time that power would be ready for them, but they were not being asked, and it was not fair to ask them, to go ahead and fulfill the terms of their agreement with the Government when we were not in a position to say we will give you power.

COMMISSIONER HARRIS: Q--So it was, at the time, that the Hydro couldn't go ahead with its development without the Great Lakes contract? A--No, I should expect so.

Q--But they went ahead with their development without making a contract, therefore they cannot blame the Government?

A--Well, again you are trying to get me into an interpretation of things. The development was started and there were only, as Mr. Raney has said, some minor terms, comparatively minor terms of difference between them, as I remember. Even in my day the contracts had been prepared and everyone, no doubt, expected that contract to be executed.

COMMISSIONER HANEY: The result is, however, that those minor points of difference have become very important, that is the unfortunate situation? A--Yes.

COMMISSIONER HARRIS: Q--The Hydro evidently didn't expect that the contract would be consummated, because from the correspondence it looks as though they had given it up as a forlorn hope, and have said we are going ahead to

develop power for the municipalities and they should, therefore, take the blame ?

A--I am not familiar with that situation, Mr. Harris.

Q--But your impression, so you would judge from the correspondence, is, that you did not expect they would go ahead with the expenditures rendered necessary by such a development as that, at a time, especially, when money was so tight, unless they had that contract consummated ?

A--Mr. Harris, may I put it this way, because I want to give the Commission with the utmost fairness every assistance I can possibly give, We had no technical advisers -- when I say We, I mean the Government as distinguished from the Hydro-Electric Power Commission; we had to take and did take the advice of the Hydro Electric Power Commission in all matters of that kind, and we predicated our action on the reports of their engineers in connection with those matters, and what was troubling me during these negotiations, as you will see from the correspondence, was to be sure I was going to be in a position to carry out the undertaking that I had given, as Prime Minister, to Mr. Carrick, that there would be power available for his plant at cost, because he had given up the Nipigon. That was my concern, just as to how it was going to work out. I wasn't in a position to say how much that extra expenditure would cheapen the power ultimately, but I assumed that it would cheapen the power. That was my own impression.

Q--You had pretty good technical judgment when you raised the question of seeing that they provided power, if they were going ahead with that development ?

A--It wasn't technical judgment, just common sense judgment.

COMMISSIONER HARRIS: Common horse sense.

COMMISSIONER R. A. ROSS: Since you are bringing in horse sense, let me ask this question: Could the Hydro

have made a contract of any kind with a business firm without knowing it could get the money at cost of that money, because the cost of power is the cost of money ?

COMMISSIONER HARRIS: Simply because the Government was its banker, that is the only way it could be done.

SIR WILLIAM HEARST: The cost of money varied very little in what the Government had raised. I have no doubt they took into consideration sufficient to take care of the cost of money.

COMMISSIONER HARRIS: Q--But the cost of power was rendered pretty high because of the conditions under which they had to construct?

A--I think that was the difference in the cost of money they were considering.

THE CHAIRMAN: Q--Wasn't one difficulty that the Hydro couldn't give them any price, that they didn't know what the cost of power meant ?

A--My impression is that they did give them a price, and then I think possibly it may be that afterwards they wanted a higher price. I think that may be right. But the assurance that was given to the concessionaires was this: You will get it at cost, and that cost will be less than you can get it otherwise. That was the inference.

COMMISSIONER HARRIS: Q--Of course, it would not be less than they could get it otherwise, because the other development on the Kam was a development that the Hydro couldn't expect to compete with ? A--I don't know about that.

THE CHAIRMAN: I see that on May 11th, 1917, Sir Adam Beck wrote to Mr. Carrick, as follows:

"The Hydro-Electric Power Commission having received a contract for the supply of power from the city of Port Arthur, are now in a position to submit an estimated price for power for the use of your mills, to be located, etc. etc., based on prices of material and equipment, etc. etc., and owing to the very high cost of material at the present time, etc. etc., the following are the lowest prices that the Commission can justify at the present:

20,000 h.p. Power delivered at 110,000 volts \$15. per h.p. per annum; 20,000 h.p. Power delivered at 2300 volts \$16.50 per h.p. per annum."

A--That is what I referred to.

COMMISSIONER HANEY: They should have closed then, shouldn't they?

THE CHAIRMAN: Yes.

COMMISSIONER HARRIS: So you don't want to say that the Government wasn't morally responsible for the present situation?

THE CHAIRMAN: That is the Sir William Hearst Government.

COMMISSIONER HARRIS: Yes, your Government.

SIR WILLIAM HEARST: Pardon?

COMMISSIONER HARRIS: You do not want to say that your Government, the Government of the day when those expenditures were being carried on, isn't responsible, or wasn't responsible for the present situation?

A--My answer is, sir, that the Government of that day were careful, they were wise, they were judicious in the handling of this transaction, and that they had horse sense, and that the correspondence bears that out, and that they are entitled ^{to} the judgment of the Commission to that effect.

COMMISSIONER HANEY: Q-- Do you think, Sir William, that the position Sir Adam has taken is sustained, in view of the negotiations that have taken place. A--The Province have decreed, Mr. Haney, that my judgment is no good.

Q--You are not prepared to give an opinion on that?

THE CHAIRMAN: Q--We would like a little more assistance from you on that. We might attach much more importance to your opinion than you suggest, but when we have to make a report as to who shall bear this deficit, and when Sir Adam Beck comes to us and says that, after being directed by your Government to go ahead, the Government of today is morally responsible to bear that deficit, your opinion will be very appropriate.

COMMISSIONER HANEY: The Province.

THE CHAIRMAN: Yes, the Province.

A--I know nothing about the subsequent history of the matter.

Q--No, but he puts it on the basis that they were directed to go ahead with the development, and to make provision for the Carrick interests, and, in that way, this deficit was caused.

A--I have already explained the circumstances under which the direction was given, the reason that led up to it. The correspondence shows that that was done with the approval of the Hydro-Electric Power Commission, that is, the arrangement with Mr. Carrick, to give them power, and to give the Hydro a free Nipigon, free of any leases at all, for their development, and I have already pointed out, which I think is apparent to everyone, that then I was in duty bound, in fairness to the concessionaires, to protect them and see that there was a development sufficient there for them.

COMMISSIONER HANEY: Q--And that is the responsibility under which the Province lies ?

A--That shows the responsibility.

COMMISSIONER HARRIS: Q--There is just another point there --

A--I don't think, in all due deference, that I should go further.

COMMISSIONER HARRIS: Q--It might appear to some people that it was the Government who took the initiative in asking the Hydro to go ahead with this development; from the evidence that we have had here that could be read into it. Now, did the Government do that, or did the Hydro go to the Government ? A--Oh, the Hydro came to the Government.

Q--They took the initiative ? A--The Hydro took the initiative, yes.

Q--And they asked the Government to pass the proper Order-in-Council approving of their going ahead ? A--Not only that,

but as I have already pointed out we put the brakes on the Hydro proceeding with work, saying it is war time and we cannot give you the money.

Q--Did the Hydro, at any time suggest to the Government that unless they could get the Government approval to go ahead they would issue their own Hydro bonds ?

A--I don't remember that. I would say not, to the best of my recollection, but I wouldn't like to be bound by an answer of that kind.

COMMISSIONER HANEY: Q--They couldn't have done that unless the Government had approved of the bonds ?

A--My recollection is that there was no legislative power for that at that time.

THE CHAIRMAN: Q'-They didn't come to you seeking the Government to introduce a measure that would give them legislative power to issue their own bonds ?

A--Oh, no. I certainly have no recollection of it and I don't think it took place.

Q--There is the entry in the minutes of the Hydro-Electric Power Commission, Sir William Hearst, of May 15th, 1918:

"The Chief Engineer submitted in tabulated form estimates covering the supply of power to Port Arthur from Dog Lake and from the two propositions on Nipigon with capital expenditure based on the present price of materials and labour. The whole matter was thoroughly discussed, and in this connection consideration was given to the authorization of the issue of Hydro 10-year bonds to cover the cost of this development together with Chippewa and Eastern development. The matter was left in the hands of the Chairman to have prepared all the material for presentation to the Prime Minister the following week."

You don't recall that ? A--I would say that there was no such presentation made, almost with certainty, but I might be wrong.

THE CHAIRMAN: Thank you, Sir William, that will do. It is rather late now and we will adjourn until 3 o'clock.

3 p.m. Session 10th October, 1922.

THE CHAIRMAN: Mr. Morris, do you wish to say anything. I am not saying that we will hear you now, but we want to know if there is anything you wish to say.

MR. MORRIS: Of course, I have my case pretty well in, but probably it is so long ago that some of it might be gone over again.

THE CHAIRMAN: Mr. Pope, is Sir Adam Beck coming this afternoon?

MR. POPE: He is on his way here.

Q--There is just a question or two I want to ask you, Mr. Pope. Why were not the estimates for Fort William submitted with the by-law; why did you instruct them not to publish them?

A--They never have been published.

Q--But the Statute expressly says they must be published?

A--Oh, no.

Q--Oh, yes. A--I don't think so. The question submitted to the municipality is an enabling by-law.

COMMISSIONER HARRIS: Q--The by-law is published, isn't it ? A--No, sir.

Q--The estimates were not published ? A--They were published, but not as part of the by-law.

Q--They were not part of the by-law ? A--No, sir.

THE CHAIRMAN: Here is what the Statute says:

(The Chairman read Statute in question)

A--In 1909 the bylaw for Port Arthur was set aside, and a new bylaw was being introduced. That was when I came with the Commission, and I consulted Mr. Hellmuth,. Mr. Keefer, Mr. Lobb, who was then acting for the Commission, and some others got together and decided that it would only be necessary to submit a plebiscite or the enabling bylaw, asking the question "Are you in favor of the Municipality making a contract with the Hydro?" and that was prepared by Mr. Hellmuth. He gave his instructions how that was to be carried out, and his advice at the time was, "Publish it as much as you like, give them all the information you like but it must not be made a part of this bylaw," and that has been followed ever since.

Q--Have you got his written opinion ? A--He wrote it, I think, to Port Arthur.

Q--I mean the views he gave to the Commission ?

A--Well, it was more addressed to Mr. Keefer, who was acting for Port Arthur. I think I have it on some of the files,

Q--Will you look that up ? A--Exactly. He referred to the old section of the Municipal Act, Section 533 (a), or something, which enables you to submit this question, and not the bylaw, and that has been followed ever since, throughout every case we have had,

Q--Mr. Wegenast says he cannot find a written opinion of Mr. Hellmuth's as to this. Will you get that for him? A--Yes.

Q--But then the contract, leaving aside the opinion, was not complete, when it wasn't published with the bylaw ?

A--The estimates were not made part of the bylaw.

Q--And they were not published? A--I think they were.

Q--I think not. That is what the Fort William people tell us. They received a telegram from somebody directing them not to publish them ? A--As part of the by-law.

Q--Not to publish them with the by-law? A--But not made part of the by-law.

MR. WEGENAST: They could be used on the platform.

MR. POPE: I was acting under the instructions of Mr. Hellmuth, or the opinion of Mr. Hellmuth.

THE CHAIRMAN: Q--What would be the date of that opinion, about 1909 ?

A--The autumn of 1909, sir.

Q--It appears that a telegram has been produced here, Mr. Pope. Perhaps you can explain the reasons for sending it. It is dated 12th March, 1920:

"Attended before Cabinet last night. Alsted and three others present. They claimed they held an option expiring today with Kam for 10,000 h.p. and asked Government to consent to locating plant in the Mission to enable them to deal with option. Mayor and ex-Mayor Fort William with Hellmuth as Counsel strongly supported this, also Mills and Bowman. I urged that there was no person present who could speak for the Commission, and important that Chairman should have opportunity to consider and requested that matter stand until Chairman's return. Cabinet ruled that matter stand until Chairman could be present and urged that this be Monday if possible as the parties were waiting."

A--Who is that to ?

Q--To F. A. Gaby. A--Where from ?

Q--Hotel Vanderbilt, New York . A--Sir Adam was in England when that first came up. He was delayed there. Is that February ?

Q--March 12th, 1920. A--Well, he would be on his way home from England. He went, to be gone a few weeks.

Q--What was the reason for sending this ? A--I suppose to advise Sir Adam of the situation.

Q--Then there was another telegram on the 11th, the day before :

"The Government at instance of company considering the approval of Mission site at Fort William for their plant. Urged as Sir Adam was landing in New York today and would be here on Monday next that the whole matter stand until he returns, in which the Government concurred. Thought well to advise you."

This was sent to the Mayor of Port Arthur, not to Gaby.

A--I kept everybody advised.

Q--As to what Fort William was doing ? A--As to the progress that was being made.

MR. MORRIS: There is another one there that comes after that, from Mr. Gaby to Mr. Pope ?

A--From New York ?

Q--Yes, on the 12th of March:

"Would advise you notify Port Arthur that Government is considering the approval of Mission site at Fort William for Great Lakes Pulp & Paper Company. Sir Adam arrives tomorrow morning."

A--That is probably what led to that other one.

THE CHAIRMAN: What was that telegram, Mr. Morris?

MR. MORRIS: That was a telegram of the 12th of March.

THE CHAIRMAN: That was Mr. Gaby's telegram.

MR. MORRIS: Yes, from New York, to Mr. Pope.

C. A. MATTHEWS -- Re-Examined.

THE CHAIRMAN: Q--Mr. Matthews, when you were before us the other day you stated that the payment made by the Hydro to the Government last October or November fell short of the amount due by some seventy thousand odd dollars ?

A--Yes, sir.

Q--And the Treasurer stated to us afterwards that the fact

of the shortage existing wasn't brought to his attention till about two months ago. It seemed to me rather extraordinary that with a large balance owing like that nothing should have been said about it for nearly a year?

A--I think he is correct in his statement.

Q--And I understood from you also that you took no steps to bring it to the attention of the Hydro and require payment of it? A--Well, beyond the talk I had with Mr. Gilmour, the treasurer, at the time the payment was made, as I said, I didn't know anything about the deduction, and I assumed that the matter had been the subject of discussion between the Government and the Hydro.

Q--Isn't it rather unusual that such a large sum as \$70,000 is left all this time without any attempt to collect it? A--Well, we always had it in mind, and we didn't know but what the Government were dealing with the matter.

Q--It seems to me if I render a bill and the man pays me a thousand dollars short that I would ask him to pay up the balance? A--I expected the matter would come up some time or other.

HON. MR. LUCAS: Q--Mr. Matthews, that payment would be made some time in October?

A--The last day of October.

Q--And it would appear in the public accounts for the following year? A--Yes, for that year.

Q--For that year? A--Yes, sir.

Q--And would be apparent to anybody? A--What would be apparent?

Q--That there was a shortage in the interest?

A--No, there was no indication that there was a shortage in the interest.

Q--The amount of the interest was shown, but not the amount of the debt? A--No, sir.

Q--The total amount of the Hydro indebtedness would appear in your Public Accounts? A--Yes, sir.

Q--And the total amount of interest paid? A--Yes.

Q--So it would be a small computation to arrive at whether that was the right rate of interest? A--Yes.

THE CHAIRMAN: Q--What part of the Public Accounts was the amount owed shown?

A--It wasn't shown, sir.

THE CHAIRMAN: He said it wasn't shown in the Public Accounts.

HON. MR. LUCAS: What wasn't?

MR. MATTHEWS: I thought Mr. Lucas asked me the total amount advanced.

THE CHAIRMAN: Oh, no, the total amount of interest payment.

HON. MR. LUCAS: The total amount of advance, and the total amount of interest paid would be apparent in the Hydro Accounts.

THE CHAIRMAN: There was no entry apparent to show the amount of interest due.

MR. MATTHEWS: No.

Q--Have you had deducted the amount paid from the amount due? A--No, sir.

HON. MR. LUCAS: It wasn't shown, but it would be a matter of computation.

COMMISSIONER R. A. ROSS: No, he says it wasn't shown.

MR. MATTHEWS: It would not be easy to compute unless you had the figures.

SIR ADAM BECK - Re-called.

THE CHAIRMAN: Q--You heard the evidence given this morning, Sir Adam. Is there anything you would like to add to what was said then on the subjects discussed ?

A--I only heard the evidence of Mr. Lucas, in part, and I do not think Mr. Lucas made it very clear why Dog Lake was not gone on with as a development, and why the Nipigon was gone on with. He didn't make it clear that the total development at Dog Lake was, approximately, 18,600 h.p., that the city of Port Arthur requires about 15,000 h.p., or will within a year or two, and the 6,000 h.p. that the City of Fort William is now being supplied with by the Kaministiquia Company, and that in 1926, that, and any additional consumption, will be transferred to the Hydro-Electric Power Commission making a total for those municipalities alone of over 20,000 h.p., and, consequently, the power required by pulp mills that are in existence in Port Arthur now, and which are buying from the Hydro, with the increase, could not be secured, but, of course, the real reason, as he outlined, and, I think, as Sir William Hearst outlined, was that power should be available for pulp industries that might secure concessions in that district, so that the tenderers might be independent of a corporation that would require the water rights of the Nipigon.

Q--Are you speaking of the Pic-Sturgeon limits, or limits generally ? A--Well, these two, of course; I have made it fairly clear, and I do not think I can add anything more to what I have said. We thought this company would use the power, at least we made provision for it, and I want to make that clear.

The argument is used that the Hydro-Electric Power Commission were not in a position to furnish the power at

the time the contract or agreement provided for. Of course, that might legally be a fact, or theoretically, but practically it has no bearing whatever, because of the construction work, the bulk of it, to supply the 75,000 h.p. was in place. Had we put in another two units to lie idle for a year while this company might be compelled to go on with this development, the interest and the overhead of those two additional units would have been accumulating, and the only sane thing for a public or private body to do was to rest content and not increase the capacity of the plant until there was some sign of the company going on with its work. Certainly not, when they hadn't even turned a sod in connection with any undertaking they might have in mind under that agreement, and we felt that this company had defaulted in their obligations when they didn't go on with the work, as provided for under that contract.

The Court may say that the power was not available. They had the day power wanted under the agreement, but certainly provision had been made to make it available at a time much in advance of the possibility of the company being prepared to take it.

Q--If these two limits had not been let, and the question of supplying waterpower to Carrick had not come up, would you still have located at Nipigon in preference to the development at Dog Lake? A--That was a matter for the Government. We were not in a position to know whether the Government was going to dispose of limits there. The Government advertise from time to time, and sell limits, and we know, if limits are disposed of, that waterpower will be required, and we knew it was required in this case, and that we should be in a position to supply power, having assumed control, and the Government having declared its

policy that those waters should be developed by the Province, through the Hydro-Electric Power Commission, we would assume that they would have a market for it, the whole of it. I am quite safe in saying that, if they dispose of their limits.

The fact that they did not bind this company to take it either in the first contract they had or the one existing is a matter of policy. If they had wanted to tie the company up the last time I presume they could have done it. It wasn't our affair to dictate to the Government. We are accused as it is of dictating to the Government what they should do with their pulp concessions. I do not see that that lies within our province at all.

COMMISSIONER R. A. ROSS: The figures, Sir Adam, would indicate to me that if there was no pulp in the country, or no other demands than those of the two municipalities, that by 1926 you wouldn't have been able to supply the power?

A--If there was no pulp in the country we wouldn't have the pulp mills that are there now increasing their development or their business, and requiring more power, they wouldn't be there --

Q--Let me put it in another way: Supposing there were no other pulp mills there than those that are necessary to supply, those that are there at the present time?

A--There are pulp mills as you know, using the bulk of the power south of Port Arthur. The Grand Trunk Pacific had every alternative lot granted by the Province I believe, and they were disposing of those limits, even if the Province had not any. It is pretty difficult, Mr. Rose, to imagine just what might have occurred, but undoubtedly, under ordinary conditions, the power at Nipigon would be as cheap ultimately as at Dog Lake, and with the prospect of supplying from that development, in the near future, the

whole of the pulp mills and paper mills in that district, and the possibility of a development of iron ores. why, naturally, you would undertake the larger development. Although it might be a hardship, or at least increase the cost of power to the municipalities in the meantime, but that applies everywhere; that applies in all our development, especially the larger ones at Niagara and Chippewa.

THE CHAIRMAN: Q--Until the question of supplying those two limits came up in the early part of 1917, Sir Adam, were your plans for development at Dog Lake? A--No. We merely prepared estimates on what Dog Lake could do. I think in 1912 or 1914, somewhere about there, we had estimates on the development at Dog Lake, what the probable cost would be there.

Q--At what date did you arrive at the decision finally to locate at Cameron Falls? A--I don't know. I think the by-laws we submitted, of course, to the municipalities provided for the Nipigon development.

Q--Yes, it doesn't refer to any location in the by-law?

A--Probably not. We would, of course, use our judgment. We depend upon the requirements of the Government. They had, of course, a lot to say in the matter, where they would require power, that was in their hands.

Q--Do you recall now when the final decision was reached? A--No, I cannot remember any dates.

Q--Approximately? A--No, I don't remember. I suppose it would be about the time these limits were granted. At any rate, we had a date when the by-laws were voted upon, that it would be the Nipigon. It wasn't the Commission's fault, I don't think, or the Municipalities, for the condition we have, as I said before.

COMMISSIONER HARRIS: Q--There is one question that I would like to ask. The Fort William people when we were

there having our public hearing, made the statement that your representative who was in Fort William and Port Arthur previous to the submitting of the bylaws -- I think this applies particularly to Fort William -- had stated to them that the Hydro-Electric Power Commission would probably buy the Kam Power Company, or develop Dog Lake, or both, and that, I understand, was the question before them when they voted on the by-law. Was there any negotiation for taking over or the acquiring of the Kam Company plant there ?

A--Yes, indirectly, previous to the vote being taken, but it was through a third party in Montreal, and we got an idea of what the company would want, and we felt, with the capacity of the plant not being at all adequate to supply the future demand, that the price was out of the question, in fact the price they asked wasn't seriously considered, never was seriously considered, by the Commission. He couldn't know anything about it, didn't know anything about it, unless he heard rumours on the street.

Q--But the by-law wasn't voted upon with the understanding that the power would be developed from the Kam Company plant or Dog Lake ? A--Not a word of it that I ever heard of myself.

Q--I think that was the statement that was made to us by the Municipality of Fort William ? A--I haven't the faintest idea in my mind, or I don't think I ever heard that there was any idea of buying out the Kam Company and depending upon that source of supply to meet the demands in the district.

Q--While the estimates that were made to Fort William were on the basis of power being developed at Dog Lake?

A--No, I think not. That would be in the early days.

THE CHAIRMAN: Q--The estimates produced us, to Sir Adam, given by the Commission to Fort William, are

based on the Dog Lake development ? A--At the time they voted ?

Q--At the time they voted, yes. They are on file with us. They were produced at the hearing up there, and if you had Nipigon in your mind at the time you submitted ^{no} estimates of Nipigon to them? A--It would have been the biggest calamity for Fort William if we had gone on with Dog Lake, in my opinion.

COMMISSIONER HARRIS: It wouldn't have been a calamity if the estimates submitted there had been borne out.

A--It simply means this, that the market we have, and the market coming to us in 1926 would not have been available to us. We would have required a large development to take care of the market available to us. The expiring of the contract with the Kam Company made available an initial demand by Port Arthur of five or six thousand horsepower. It also made available the market of Fort William of a few more thousand horsepower. If those markets had not existed we would have been in the position of having a development inadequate to meet the demands of the future up there, and the broad policy of the Government being that the Nipigon should be developed by the Province, through the Hydro Electric Power Commission why, you would have an enormous expenditure all depending upon a new market, and that would have been a decided disadvantage --

Q--It might have been greatly to their disadvantage, but shouldn't they have been frankly told the advantages of the one or the disadvantages of the other, instead of having the Dog Lake estimates laid before them when they voted ? A--They were not laid before them at the time they voted, and as to frankness, Mr. Chairman, there was never any question raised by anybody as to frankness on the

part of the Commission in dealing with this matter --

Q--They raise it now ? A--They certainly do make a great many statements that are incorrect and unfair, statements that can be disproven and will be disproven.

Q--And they say not a word was said by you to them about any development at Nipigon, and you see how material it is in connection with that vote ?

A--I won't say there wasn't, but I would like you to ask Mr. Gaby that question when he is recalled.

Q--You could see, if there were no estimates submitted for this, it would have a material bearing on the question here in issue? A--Has a proper policy been pursued or has it not ?

Q--They say not. They say the estimates should have been submitted to them ? A--And the Kam Company should have been bought out ?

Q--I am not saying that at all, but they say the estimates should have been submitted to them. You see the difference it would have made in connection with this high tension power line, if it had come in from the place they were told this development would take place at ?

A--Excuse me. We might have reached a point between the two cities, and we certainly would expect, if we were supplying the company with power for their use, to bear or pay for the extension, that is, the cost of the extension should be borne by that company. Supposing it had come in from that direction, and the company had decided to locate at Bear Point, do you mean to say that we would have been obliged to charge the company for that transmission line to Bear Point ?

Q--I don't know what you would have done. A--For the extension of the line necessary to go east instead of West

to Bear Point or Nipigon, or anywhere else , coming from Dog Lake there is no question about it we would have been obligated, and, of course, you have got to charge the cost of the power to the user.

Q--You see, if you had come in from Dog Lake the distance from the Mission site would have been negligible ?

A--Supposing this company decided to locate on their original location at Bear Point, they would certainly have to pay for the additional cost of that line from a point between Port Arthur and Fort William to Bear Point.

Q--If it came in, as I have intimated, Fort William would have been in the better position because they wouldn't have had to pay for that line? A--They haven't paid for it yet.

Q--They wouldn't have had to pay for the line to the Mission site ? A--There wasn't the slightest indication that they were going to locate at any other but Bear Point. That was an issue afterwards.

Q--I am speaking of the Mission site. The Mission site is in a different position now, so far as locating industries is concerned, than it would have been if you had come in from Dog Lake. You may have been right in your decision.

A--If we had located at Bear Point which was, I understood, settled at the time, we would have been obliged to charge the additional cost of the 110,000 volt line to Bear Point.

Q--But the amount paid for the line to Mission would have been far less, very much less, than it would be today?

A--Yes, it would be less there, as I said before, at the Mission than it would be in Winnipeg. We don't know whether they are going to build mills and require power. The Government approved of the Mission site, when we all knew that the original location was at Bear Point and, consequently, it cost more to go there, much to our regret as to any body else's, but I cannot see why the users of

Port Arthur should be penalized because we are taking these lines to some other point.

COMMISSIONER HARRIS: Of course, if the development had taken place at Dog Lake, which is very much nearer to both municipalities than to the Nipigon, I think the transmission line from the Kam plant is about 18 miles, isn't it --

SIR ADAM BECK: Before we had made a contract with this company we had a contract with Port Arthur and Fort William. We had to keep that in mind. In 1926 there would be 6000 h.p. available at least for Fort William, and at least 15,000 h. p. for Port Arthur. Now, how were we going to supply this company with 20,000 h.p. from Dog Lake? Absolutely useless for the purpose of going to the Mission.

Q--I am just trying to bring out what happened, and your representative gave Fort William some pencil estimates that were not final. He just wrote them out with a pencil. A few days after that, and before the bylaw was submitted to both municipalities Mr. Gaby wrote to the City Clerk at Fort William this letter dated March 24th, 1917:

"I beg to forward, below, estimates of the cost of delivering power to the municipalities of Fort William and Port Arthur, from a development at Dog Lake.

The figures for the municipality of Fort William including all charges, with interest at the rate of 5 per cent (whereas the estimates submitted to the municipality early last year were based on interest at 4 per cent) are as follows, namely:

2500	H.P.	22,000 v.	delivered	(1)	\$22.79	H.P.
2500	"	2,300 v.	"		24.04	"
5000	"	22,000 v.	"	(2)	17.06	"
2500	"	2,300 v.	"		18.86	"
5000	"	22,000 v.	"	(3)	14.51	"
5000	"	2,300 v.	"		15.48	"
10000	"	22,000 v.	"	(4)	11.52	"
5000	"	2,300 v.	"		12.77	"

These are based upon the following amounts of power, namely,

(1) 10,000 H.P.; (2) 15,000 H.P.; (3) 20,000 H.P.;

(4) 30,000 H.P. They include sinking fund to retire the debentures within 30 years, and a charge for depreciation and renewals. The above prices require the supplying of equal amounts of power to Port Arthur.

In view of the conditions existing at present in respect, not only of labour, but the costs of materials, it has been necessary for the Commission to be conservative in its estimates, and it is possible, if the work be done during normal times, that the expenditure may be reduced, and, consequently, the cost per h.p. to the municipality.

I shall be glad to hear from you in regard to the matter, and to supply any further information, or particulars required."

Now, it would strike me that when the municipalities voted on those bylaws they were voting on a development at Dog Lake, and they were the estimates that were furnished to them, in the event of them passing a by-law and securing their power from Dog Lake?

A--If we went to Dog Lake, yes. I suppose, at that time, those were reasonable estimates, I don't know. Mr. Gaby will have to explain that.

Q--Well, Mr. Gaby says they were very conservative, taking into account the high prices of everything, so that that shows very clearly, I think, that the people were voting on a bylaw for development at Dog Lake, and that

if those estimates are correct, or approximately correct or approximately correct they were going to get very cheap horsepower? A--And if the Government directed it to go on with the Nipigon.

Q--On one condition? A--What was that?

Q--That you provide power sufficient to take care of the power that would be required by the interest representing what is now called the Great Lakes -- and which the Government says that they did not direct them to do, other than to provide for it, and Sir William Hearst's statement this morning was that the Government had in mind at the time -- if I am wrong in this statement just correct me -- that they did not initiate the development for the Twin Cities, and that they did not expect the development would go on unless a contract was made with the Great Lakes people, or words to that effect.

THE CHAIRMAN: They said they didn't go to Sir Adam, or that Sir Adam went to them, and the Commission was also told that if they did take the Cameron Falls development they would have to provide for Mr. Carrick, but the Government didn't ask them to go to Cameron Falls at all, but then told them just what I have stated. Sir William Hearst said that the Hydro took the initiative, Sir Adam Beck went to see him? A--Then, I presume, you say I am personally responsible for going to Nipigon?

Q--No, sir, that the Commission is responsible for going to Nipigon? A--I see, we didn't require an Order-in-Council to enable us to go there?

Q--Yes. A--We didn't require a specific and distinct direction from the Government to go there, an Order-in-Council.

Q--The Order-in-Council states that the Commission itself has recommended -- A--Did Sir William Hearst say that his Government did not direct us to go on with that work,

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COMMISSIONER HARRIS: You had made application for an Order-in-Council to do it, you had taken the initiative, not the Government? A--We require to do that in everything we do.

Q--They say the request came from the Commission and not the Government.

HON. MR. LUCAS: I don't know that that is just exactly what was said. Sir William Hearst said we have no technical advisers, and we take the advice of the Hydro, and they advised us and we followed that advice, and we get our advice from them.

COMMISSIONER HARRIS: Yes, they recommend^{ed} them.

SIR ADAM BECK: Certainly. We recommended a development to supply the two municipalities that we had contracted with, but it was also rendered necessary to undertake the larger development by reason of the Great Lakes. The Government knew all about it, and the Commission kept them informed. They knew it as well as we did.

THE CHAIRMAN: Q--We would like to see any letters which directed you to go there. He said, if you go there you must provide for those people. If you don't go there you don't have to provide for them?

A--We retain the development in the Crown. The general policy of that Government was that the waterpower should all be developed by the people and for the people. It is an extraordinary thing to me that they would take the development at Nipigon back to the Crown and leave it lying there, and say to the pulp companies, "We haven't sufficient development in Dog Lake to help you in developing what you have bought."

HON. MR. LUCAS: There is no letter that shows that. I listened to Sir William's evidence all morning as I sat here. I know of no evidence that he gave here this morning

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HON. MR. BAKER: I don't know how that is going to

what was said. Sir William Harcourt said we were in a

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THE CHAIRMAN: I should like to see the

which discussed and so on. It is, in fact, the

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HON. MR. BAKER: There is no fact that

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here. I know of no evidence that we have here this morning

that is to that effect at all where he says "If you go to Cameron Falls you must take care of those people." I know of no evidence of that kind, and I listened all morning to him very carefully. That is a very different interpretation, and one must refer to the notes.

THE CHAIRMAN: I understood him to say that the proposal came from them.

HON. MR. LYCAS: The initiative, or the recommendation for the development, rather, came from the Hydro.

SIR ADAM BECK: Mr. Raney says that the company was prepared to enter into a contract but for two clauses in the agreement that they were not agreeable to. One was the strike clause, and the other was some bond question. Well, so far as the strike clause is concerned, corporations and others considerably higher than this company, using very much larger quantities of power, are all subject to the strike clause. There are three or four small contracts in existence, in the earlier days, where there is no strike clause provided for, but they have gone out of business. I think there are two left, and they amount to a few hundred horsepower.

THE CHAIRMAN: Port McNicoll is rather an important one?

A--No, not compared to this. I don't know what the reason specially was.

Q--Is it necessary that you should have a fixed standard clause in every contract? A--Not unless you want to make fish of one and flesh of another.

Q--This might be different, the conditions here might be different? A--Not at all. In every contract we have

the strike clause should be eliminated if this company has the strike clause eliminated. These companies have been operating ten or twelve years without any trouble whatever. They control their men. They might at any time, if they want to default, bring on a strike and, in that way, we might have more deficits on our development.

Q--It seems to me absurd to think that they would bring on a strike just to stop paying for the power ?

A--Well, it might look absurd.

Q--Couldn't you provide that, if there was a strike, and there was a question arose as to whether it was a bona fide one or not, the referee could settle it at once ?

A--Mr. Gregory, there are ways and means now of settling strikes that didn't exist when the original Hydro was launched, and when this original contract was drafted, and there is no reason in the world why they shouldn't be continued, unless the policy is to eliminate them entirely, and then if we have an enormous loss because of a strike being inaugurated by somebody that controls these things, and we didn't control them in any way, who is going to bear the loss, the municipalities, I suppose ?

Q--You are suffering an enormous loss through not having the contract signed ? A--Whose fault is it ?

Q--I am not saying whose fault it is ?

A--I am giving pretty strong expression as to whose fault it is. It is the fault of the Province of Ontario, on both occasions, and I am always going to say this, on every occasion, and I hope the municipalities object to carrying the loss until there is a sufficient amount of power used to carry the investment that was made there in good faith and for which they became co-partners anticipating that the Government would see that power was used in the development of these pulp industries.

Q--The Attorney-General says he thought those very small points might have been adjusted. He seems to have come pretty near to doing that. A--I think Mr. Kilmer puts it pretty clearly. There was a good deal of humbugging on the part of the lessees of the lands, trying to kill time, until conditions were favourable to begin the construction of the plant.

COMMISSIONER HARRIS: In connection with the contract with the Nipigon Pulp & Fibre Company you gave them a fixed contract, didn't you? A--We probably did.

Q--That wasn't a contract for power at cost?

A--Well, it might not have been that, but it was a good price, a high price.

Q--There couldn't be a contract for power at cost, because the plant wasn't built? A--I wouldn't be prepared to say it was at cost, \$26 or \$28, whatever it was, within 12 miles of the development plant.

Q--Well, of course, the operation of the plant from its inception up to the present time shows that the contract was below cost, even taking your own figures.

A--It depends what you charge us up with, if we are to carry sinking fund and everything else from the inception presumably it would not. We were trying to get business, and this business was very high priced at the time. I am not saying it was not power at cost, but we have deferred the charges in nearly every new development we have made.

Q--It couldn't be power at cost? A--Not if all charges are exacted, no.

Q--Another question in connection with that contract: Why did you make a contract with the Nipigon Pulp & Fibre Company and take a bond from them for \$40,000, and ask the people owning the Great Lakes Pulp & Paper Company a bond for \$500,000? That seems to me to be making fish

of one and fowl of another?

A--Well, I presume this is a small concern, probably using 2500 horsepower.

Q--What, the Nipigon Pulp & Fibre Company?

A--Yes.

Q--I understand it was over 10,000, that the contract was over 10,000?

A--Their minimum was 1000, and they gave us a bond that would cover the total expenditure we would require to make, at least as near as I remember it, to supply that power.

HON. MR. LUCAS: The loss in salvaging it.

SIR ADAM BECK: Yes, the loss in salvaging it. The bond for \$40,000.00 would have compensated us for the money that we had invested in those lines.

COMMISSIONER HARRIS: Q--But that is what you did with one company?

A--Yes, and \$500,000.00 with the other.

Q--Yes, \$500,000.00 with the other?

A--Well, I presume that would be necessary to safeguard us, because we have the municipalities, and we must safeguard them, and if there is a loss the municipalities would have to bear it. If there is a profit, it goes to their credit, of course, and I suppose that we estimated that the \$500,000.00 was necessary in the way of a bond to protect the Hydro Electric Power Commission in this investment to transmit power to this Company.

I don't think that we had any thought of discriminating against anybody. The companies look all alike to us and we have never been accused of that.

Q--Of course, in one case you must have known, or could have known if inquiry had been made, that the one company was an entirely new company without any past whatever behind it, and the other, with all its past connected with it, was

composed of men of substance?

A--Well, we thought our guarantees were all right to compensate us on our investment. We did not search the title to see if they owned the land, but we did know they had a large investment in Nipigon to manufacture pulp and paper. I don't think anybody expected that they would go as they did. Of course, the pulp business has been very bad, and the paper businesses have suffered enormous losses and have been in a bad way. I think Riordons is a pretty good case of what has happened, because of the depreciation of the business.

Q--Well, I don't think that that enters into this particular matter?

A--No, but we were not specially concerned, because we had a bond to cover us for our expenditures.

Q--You made the statement a few minutes ago that you couldn't make fish of one and fowl of another, and I think it looks as if you were in those two instances?

A--I wouldn't presume it was. I am not prepared to give you the figures that we required to protect the investment we were to make for this company from the Nipigon to their plant, to supply them with a big block of power. I think a \$500,000.00 guarantee would not be excessive, and, if it was, we would have no object in doing it. Of course, it would involve certain units -

Q--It would have put a different complexion on the whole situation if the contract had been made though with the Great Lakes Pulp and Paper Company?

A--You don't infer that we deliberately discriminated in one case or the other.

Q--I don't infer anything, but I think that that contract should have been made if humanly possible?

A--Humanly possible.

Q--Yes?

A--It is within the power of both governments to make it humanly possible, that is my candid opinion.

Q--The Government went so far as to work out the details, satisfactory to them, and the matter was left to the Hydro Electric Power Commission, and they turned it down?

A--We turned it down, certainly, unless it was in line with all contracts we make. If the Province of Ontario was ready to assume the responsibility and the liability that might entail because of strikes, then the Hydro Electric Power Commission would be perfectly satisfied, if the municipalities that are assuming the whole liability are protected. I do not see why the municipalities should be placed in this position, unless the government are prepared to protect them from loss.

Q--Wasn't the Government willing to go that far?

A--I don't know, I am sure.

Q--Were not you notified that they were?

A--That they would assume the liability that might be entailed on account of a strike of the employees of the company if one occurred and that clause was eliminated, if they would assume that liability it would at once satisfy the Hydro Electric Power Commission as trustees for the municipalities.

Q--Isn't that what they did?

A--Not that I am aware of.

Q--Weren't you so advised?

A--No, sir, not that I know of. Let the Government give a bond of \$400,00.00, that will be all right, the Province of Ontario.

Q--My opinion is that the Government were prepared to go that far, and that the Hydro turned it down?

A--Well, if they are willing to give an undertaking to that effect, if the people of this Province are willing to

guarantee this company against strike, then it is all right.

Q--That wouldn't be any more onerous on the Government than what you propose now?

A--In the one case they are distinctly, in my opinion, responsible, and, in the other, they are not. Why should the Province be asked to guarantee a strike in this manufacture any more than in any other.

Q--Why should the Province be asked to assume any part of the deficits?

A--Because the Government of the Province directed us to supply not only this concession but future concessions in that district with power.

Q--At your request?

A--Well, of course, Mr. Harris, they simply defaulted in that matter. I am quite convinced that the Government could have forced this company, that the previous Government might have had a clause inserted there for them to take it, and I think the Ministers of the Government have given you evidence here to show that they would have insisted in the end.

I think the letter from the Prime Minister of to-day to the City of Port Arthur makes it very clear that he intended that they should.

So far as the lawsuit is concerned, I was opposed personally, and said so in the Attorney General's office with it, and did not want to go to the Courts.

The matter that the company was not legally bound to take power from the Commission was evidently in everybody's mind, but that they had not defaulted, and that the Commission were not prepared to supply the power, when required, to that company, even if they worked day and night towards constructing their building and installing their machinery, that is another matter entirely, because

power would have been available, and was available.

Q--The point you are making is, that the Government is morally responsible for the present condition of the Nipigon system?

A--Yes.

Q--Well, with all the evidence I have had before me, I cannot agree with you?

A--Well, that is my opinion, at any rate, that the Government should bear the loss there is now. Of course, the five percent interest is immaterial, if the Government is going to assume the loss. If it isn't, then the municipalities might have certain of the charges deferred, or spread over a number of years without any loss to the Province. That was the only suggestion I made, and I hope the Government will assume the loss. It won't be very much, and defer the sinking fund and depreciation, and interest charges for a few years, and nobody will be hurt. The value of this water power development of the future, and the development of the pulpwood industries, will more than compensate the Government for any assistance they give those municipalities in the meantime, in aid of a situation caused through no fault of the municipalities at least.

THE CHAIRMAN: Q--It seems to me, in all these matters, that the great loss is their own business, and that we are magnifying the losses which might occur through this clause in the contract?

A--Will you make any kind of a contract, then, a contract that wouldn't be fair to the municipalities?

Q--Oh, no, not at all, but I say to make a fair contract, that would be my endeavour, and I wouldn't let it go off on mere details?

A--I think it unfair that the municipalities should be asked to take the risk of strike on the part of those

manufacturers, unless for the purpose of supplying them with power.

Q--It is distinctly unfair that they should lose trade through no contract being made at all?

A--Yes, and allow the companies to get out from under, to a certain extent, that is my opinion, especially a company that was assisted by the Government helping to carry them over the period of depression and high cost of construction. They have been enormously benefited by it, and they are the last that should quibble about a dollar more per horsepower. They certainly shouldn't be given any rights, any more than other companies doing similar business in the Province of Ontario. Other companies doing similar business have been ready to sign and enter into agreements for a supply of power.

COMMISSIONER HARRIS: Q--There is just this point I would like to bring out: I suppose that you know what some of the other pulp and paper companies are paying for their power, don't you, not being supplied from Hydro but through private development; some of them are getting their power as low as \$8.00 and \$9.00 a horsepower?

A--Yes, and what are the pulp and paper companies paying in Port Arthur at the present time?

Q--They are paying from \$14.00 to \$21.00, I believe?

A--No, no, they are paying more than that.

Q--For some kinds of power they are paying less?

A--That was on that old contract. What is the Fort William company that has just made a contract paying?

Q--That is made with the Kam Company?

A--Yes. They have got a contract. I don't know just what the terms or conditions are in the way of supplying the power. I know the price is pretty well up. Do you know what it is, Jeffroy?

MR. JEFFREY: No.

SIR ADAM BECK: It was somewhere around \$18.00 or \$19.00, or \$21.00, but we are quite agreeable, because that is done in various contracts. We make the provision if, when the cost is reduced, when we enter into a contract to supply companies similarly situated, and in similar business, that we will make the same reduction to those companies. The ultimate cost, of course, will be very much lower than it is now.

Get a 40,000 to 50,000 horsepower load on that plant, or half its capacity, why, there would be a reduction in cost.

Q--I agree with you on that, but of course there is the point that they can't afford to pay for power in the grinding of their pulpwood?

A--Yes.

Q--And that is one of the things that has to be taken into consideration?

A--Well, who is going to pay if there is a loss from it. That is all that comes up before us. We are the trustees of these municipalities as well as the Province of Ontario.

Q--The point is, of course, that this power of cost money is so confusing. What is cost?

A--Well, Mr. Harris, in this case it would not be, because if any pulp company came along and wanted power, and able to supply it at a lower price, then this company, being itself better or similarly situated, would get the benefit of that reduction.

Q--Cost might be anything, you know?

A--Oh, no.

Q--Oh, yes, it might?

A--Not with Mr. Clarkson auditing our books.

Q--Mr. Clarkson hasn't anything to do with the cost?

A--Oh, yes.

Q--But only because of the figures that are given to him?

A--He picks the figures that he finds in the books, and he usually looks at them pretty well, and scrutinizes not only the figures but the contracts and the agreements under which we control them.

Q--But I may that cost might be so excessive that you wouldn't get any business?

A--I know, but cost is cost, of course.

Q--Cost is cost, so that power at cost isn't always what it might signify to be?

A--I have already told you what I thought was a solution. I am not all wise, and I am certainly not almighty. These things are inferred, however, but they do not pan out.

I think the Government should defer some of these charges. As I have already said, it is a moral obligation on the part of the Government in the matter. That interest might be fixed for a term of years, and in that time, the revenue will be sufficient to take care of the higher interest that prevails to-day, the interest rate that exists to-day. If that isn't done, and they are not able to take care of the charges in a reasonable time, then, of course, that would have to be charged to the enterprise as a whole. There is no reason at all why we should not defer depreciation for a few years, say till 1926. That is only a matter of four years, and I am quite convinced that it would be self-sustaining within four years, and I think every effort should be made to secure a market from this company, and then we might base our cost price to them on the basis of deferring those charges.

In the meantime, I can only repeat that the Province of Ontario is going to get the rental and the revenue from all this pulp, and so on, and would be getting a big revenue now if these mills had been built when they

were indicated to be built by the original company. It is only by working at it in that way that the smallest amount of loss will be entailed.

I certainly do not think the municipalities should be penalized to the extent that they will be if we follow the Act and the agreements to the letter, and we may try, in one way or another, to locate the blame, somehow, on someone, but that isn't going to get us anywhere.

COMMISSIONER R.A. ROSS: Q--Sir Adam, you mentioned that you had a number of contracts. Could you tell us about any of these, the size of them, and who they are? I mean with large consumers?

A--I would have to look them up, our large consumers. The Carbide Company is one.

COMMISSIONER HARRIS: That was an Ontario power company contract, was it not?

MR. JEFFREY: No, that contract is direct with the Commission.

SIR ADAM BECK: We made that contract.

COMMISSIONER R.A. ROSS: Q--They have the strike clause in their contract?

A--I think so. They employ a large number of men in addition.

Q--Have they any bond?

MR. POPE: The stock of the parent company.

COMMISSIONER R.A. ROSS: Q--I understand that when you impose bonds, it is to cover the capital investment which you have to make on their capital account. It is not to cover possible loss of revenue from the plant going into liquidation, but it is to cover the investment to which you have been put for their special benefit?

A--A special installation that we might not have any use for if they closed their plant.

Q--What clause have you got in that regard? The same as

this clause is in this contract?

A--Yes, they are all the same.

Q--That is the arbitration clause, just the same as in this?

A--I think they are all alike. I don't think we have a clause in that company's contract that will entitle them to any reduction at a price we might be selling to other companies.

Q--So that you are not making fish of one and fowl of another? A--No. I don't think they ask it in a case like this where competition is going on, but in this case when the argument is used that you might sell another concession next year, and you might have power available for them at a lower price, and give them that price, it would be difficult to compete with them, so in that way we do sell it at a lower price in that district to small manufacturers of pulp and paper, and under similar conditions, so that they get the benefit of it.

Q--In the case of the Nipigon Pulp and Fibre Company you had a bond of \$40,000.00?

A--Yes, that and the salvage value of the lines was supposed to cover the amount that we invested to supply them with power.

Q--In the case of the other company, you wanted \$400,000.00, if I remember right?

A--I don't know, but I suppose that is correct.

Q--Presumably that was on account of the capital expenditure you had to make in the one case being more than in the other?

A--Yes.

Q--Now, with regard to your contracts, you make what you call a fixed price, that is, \$18.00 or \$20.00, whatever it is?

A--Yes.

Q--As a matter of fact, that is only a maximum price you are charging?

A--Yes, that might be made a maximum price.

Q--Yes, so that they get the benefit of any reduction below that?

A--The idea of the fixed price is: here is a company spending millions of dollars putting in a plant. They must know definitely when they undertake that, when they finance it, that a certain price would prevail and not be exceeded, but if they can get a clause that if we supplied similar institutions at a lower price that then they will benefit likewise, because they bore the original heavy burden, then why shouldn't they participate in the reduction if a competitor is favoured.

Q--Having given them the maximum, have you, in the back of your head, any means by which, if the interest rate changed, or anything of that kind, that you can charge them more?

A--No, we cannot.

Q--You are fixed on that, and when they get that price they know that is the absolute maximum?

A--Absolutely. If there is a gain in the sale of that power, as there was in the carbide, for years,- I don't know whether we make any money now or not - that all goes to the credit of the whole district, that goes into the general district, and if there is a loss - I am referring now to the Carbide Company - the municipalities in the Niagara District, 140 or 150, bear it.

Mr. Jeffrey tells me the Salt Company at Windsor have put up \$50,000.00 just to build a 13,000 volt line over to their plant, and they are a very strong, well-financed institution, I think.

THE CHAIRMAN: Mr. Ross, I understood that the \$40,000.00 bond at Hipigon was to secure the price of power; it was used for that purpose.

COMMISSIONER ROSS: I didn't understand it so.

THE CHAIRMAN: It was used for that purpose. The

bond was forfeited.

COMMISSIONER R.A. ROSS: The question I asked Sir Adam was this: in figuring the amount of the power which you will ask from your customers, do you not take into consideration the amount that you have spent in capital investment, and that your bond is then only to protect you provided they go out of business.

THE CHAIRMAN: In the Nipigon case the amount of bond is to be applied on the price of power lost, therefore, there will not be enough left to apply on the capital investment of the plant.

SIR ADAM BECK: I think that bond covers any loss that may be sustained. Of course, when people fail it is pretty hard to have all the security on your side and the other creditors have none.

MR. ROSS: Answering the Chairman, that is a question of bookkeeping. In the statement, it is credited as part of the revenue.

SIR ADAM BECK: At any rate, we have got that security, \$40,000.00.

COMMISSIONER HARRIS: Q--In taking over the^{Ontario}/power Company, the Electric Light company and the Seymour Company, all these companies had long date contracts?

A--Oh, yes, they did.

Q--Did they contain the strike clause?

A--I don't know.

Q--Do you know that, Mr. Pope.

MR. POPE: I cannot say offhand.

Q--Do you know, Mr. Jeffrey?

MR. JEFFREY: Not offhand.

MR. POPE: This strike clause, Mr. Harris, was entirely to protect the municipalities.

SIR ADAM BECK: Mr. Harris, we are in a different position.

MR. POPE: The strike clause was to protect the municipalities against their not taking power, and they would have to stand the loss.

SIR ADAM BECK: Mr. Harris, you understand the Ontario Power Company or the Seymour Company would sell it at a considerable profit, probably. The profit that would accrue on account of that contract would protect them in case of any loss.

COMMISSIONER HARRIS: They wouldn't sell it now at a considerable profit.

SIR ADAM BECK: We are only supposed to take care of the actual cost of power. Now, if we haven't got that cost provided for, the profit that they have over and above the actual cost, who is to compensate the municipalities, and, for that reason, we require these protective clauses, and that is in our contracts to protect the municipalities where there is no fund to take care of any failure, such as the Nipigon Pulp and Fibre Company. We got the best security we can, and we suppose a company investing a large amount of money, as they did there, and having concessions, are more or less reliable. We didn't know this company, the Great Lakes Company. We didn't know they were financially sound, so we asked for \$400,000.00 worth of guarantee.

Q--Anybody now having a contract with the Ontario Power Company really have it with the Hydro Electric Power Commission?

A--Oh, yes. Of course, any contracts we make all have that strike clause. The old contracts, some of them, were very bad. That was largely the result of their having to sell out in the end.

COMMISSIONER R.A. ROSS: I think they made a bad contract with you.

SIR ADAM BECK: They made a very bad one with us.

Mr. Pope informs me that when we took over the Ontario Power Company we assumed a contract for 60,000 horsepower with the Niagara-Lookport Company. That is the largest contract we have got, and in the agreement that the companies entered into with us in the purchase of that the strike clause was inserted to protect us in the sale of power to the Niagara-Lookport which did not exist in the Ontario Power Company contract. They were part and parcel of the Ontario Power Company, they were controlled by the same interests, and we insisted then that, in this agreement, the purchase agreement, they agree to this strike clause being inserted in that 50,000 horsepower contract, which they did.

THE CHAIRMAN: Anything further, Sir Adam?

SIR ADAM: No, nothing further, unless you want to ask some questions.

COMMISSIONER J. ALLEN ROSS: Q--Sir Adam, it is very hard for me to see why you continue to take the position that you are by holding out for a standard contract. I am only a business man, and perhaps I haven't your viewpoint?

A--I think that is the fortunate thing about you, that you are a business man. You can look at it from a business point of view.

Q--I can see where, some years ago, you could take the position you now take, that you wouldn't give a modified contract because, as trustee for these municipalities, it might, in fact, harm them in the future, but to-day you are in the position of seeing the folly, in negotiating a contract, or rather failure to negotiate a contract, working out to the disadvantage of the two municipalities to the extent of a thousand dollars a day, we will say. Now, isn't it a choice between two evils, the lesser being the negotiating of a modified standard contract?

A--Mr. Ross, if I could convince myself that that was the correct thing, to advise the making of a contract, and the Province would assume responsibility of any loss on account of it, I would say all right, but you cannot make me believe that it has any bearing on the case at all, because these large companies such as the Niagara-Lockport Company buying 60,000 horsepower in a foreign country, being subject to the Courts and everything of this country, changing the contract because they were allied interests, and inserting the strike clause because we asked them, then I am convinced that it is quite fair, because they control the men, and they would be responsible for the strike if there was one. You cannot convince me that that is not the proper thing to do, and you cannot convince me that that has any bearing whatever on this contract. I think it is a most vicious thing, Mr. Ross, to make the change you suggest.

Q--I can see your point of view. You had that point of view two or three years ago, but I cannot see how you maintain it to-day, holding-out that a modified contract is the better policy when it is, in fact, working out to a thousand dollars a day deficit ?

A--You cannot convince me that it would affect it, and, in the next place, as I say, you cannot make fish of one and flesh of another when you are acting as trustees for the Province of Ontario and these municipalities, as we are.

Q--I will say I agree with you in practice and in principle, just for the sake of argument, but in practice it doesn't work out; in the case of the Great Lakes or in the case of the Nipigon you have got a potential customer there that you are not getting because you are allowing those matters of which you speak keep you from a sale of your excess power ?

A--No, it is in practice. Do you think it would be fair to the ratepayers of these two municipalities if we failed to get the same protection in the case of the Great Lakes, thus protecting them from any loss for which they are liable, as all the other municipalities in the Province of Ontario.

Q--I believe it would be fairer to these two municipalities?

A--It might be better business if that was really a contentious factor in their contract, which you cannot make me believe it is.

Q--As far as I can see, the only thing between you and the Great Lakes Pulp and Paper Company - and I mean by that a solution of the deficit that is being incurred to-day - is the lack of a modified contract, and I cannot quite see your position. This is my point, Sir Adam: I cannot quite see how you can hold that position to-day, because conditions are so different. You have the proof of the pudding to-day in a deficit?

A--Only the Province is responsible for the situation we have to-day.

Q--I do not care who is responsible for it, Sir Adam. I am trying to get at your point of view to-day?

A--You are not going to leave them unprotected in this big investment that we are making for this company, because of some strike clause that they control?

THE CHAIRMAN: Do you think Fort William is objecting to your making this?

A--Fort William, up to date, hasn't got any responsibility at all.

Q--It has an ultimate one?

A--Yes, and we are going to protect them in every way we know how, so that they will not be penalized because of someone else defaulting.

Q--I can understand your point of view, Sir Adam, I think, but I do suppose that, if you people are willing to sell the power, and those people are willing to buy it, and if both parties wanted to make a contract, there ought to be some way of making a fair contract that would be acceptable to both. I think there is too much feeling in the matter?

A--Feeling?

Q--Yes?

A--Mr. Chairman, if you can show where the Commission has ever been guided by feeling, and we have had some pretty severe pains at times -

Q--Suffering from some yet?

A--Then I want to know.

Q--I think your reference to Mr. Alsted showed me there was some feeling there?

A--I repeated what Counsel for the Government had to say about Mr. Alsted, or whoever it may have been. Counsel for the Government made it very clear that they were humbugging, at least he told us so, and he had all the evidence before him. It is our business not to be humbugged.

Q--I think you have some feeling against Fort William too?

A--I beg your pardon, Mr. Chairman, we have nothing of the kind. I want you to prove it, if you make that statement. I leave it to any just, fair man - and I hope you are that man - to show me where we have discriminated against Fort William.

Q--You have some feeling towards them about cutting down those poles, and so on, as you referred to the other day?

A--Mr. Chairman, we had a legal right to erect those poles, but we did not in deference to their wish. We deprived ourselves of a 5000 horsepower. Does that look like feeling?

Q--I think it left some?

A--Well, thank God there is none in me.

Q--I am glad to hear it?

SIR ADAM BECK: I hope I will always be the same.

We are conscientiously in earnest, Mr. Chairman. No man has ever knocked me on the head but what I tried to be a man and take another one, if it was coming to me, not unless.

THE CHAIRMAN: Is there anything further, Sir Adam, you would like to say ?

SIR ADAM BECK: No, no, I am at your service. If you will only give me half an hour's notice when you want me I will be very glad at any time to come.

THE CHAIRMAN: We are very glad to have you.

SIR ADAM BECK: Mr. Ross, are we quite clear, you and I ?

COMMISSIONER J. ALLEN ROSS: No, I don't agree with you on that at all. I am clear as to what you said, but I am not clear as to why you think so, how you can think that way.

A--Well, I do so as trustee for those municipalities. If you were trustee of an estate you would be very loath to vary the conditions of the Will, or the principles that you think you were to carry on that estate, and our trust is just as solemn as that is. We are just trying simply to protect the municipalities who have no funds. There is no fund there to take care of these things. Where are you going to get the money without penalizing the taxpayers ? If we were a corporation making a lot of money, like yours, for instance, then the situation would be different, but those municipalities have no such thing, they are getting power at cost.

Q--My only thought is that you are handing the municipalities a loss of a thousand dollars a day, approximately, rather than take a risk in signing a modified contract with a bona fide customer who, as far as I know, is quite

capable of carrying out that contract, and shows a disposition to do it as far as I know?

A--Let the Government make this company play ball. There will be no trouble then for them to get power.

F. R. MORRIS, K.C. - Examined.

THE CHAIRMAN: Sir Adam, Mr. Morris has something to say if you will wait.

MR. MORRIS: When you are ready for me, Mr. Chairman. I want to prove what I have to say with documents, and I may be some time.

SIR ADAM BECK: Does he want some further documents ?

MR. MORRIS: No, but I think you could have furnished them, and I have had to go to Fort William to get them.

Mr. Chairman, when you were at Fort William I put in Fort William's case before you, and everything I said I proved with a document. I think you will all bear me out on that. You have a complete brief, each of you, and I made no statement that I did not back up with a document, everything I said.

Before I start back over what was in that Fort William case, since I have been home I obtained from the City Clerk of Fort William this contract that Sir Adam Beck has referred to that was lost to the Hydro from the Consolidated Elevator Company. Here it is, here is the copy signed by Mr. Gaby. It calls for 600 h.p., or about 500 kilowatts. Sir Adam said the other day 5000 h.p. and he says again today 5000.

COMMISSIONER HANEY: Q--So that your contract with them is only for 600 ?

A--That was all the contract that he proposed to make with the elevator company, and which he said was a contract

THE WATKINS: Sir John, Sir John, Sir John.

THE WATKINS: When you are here, Sir John, Sir John.

I want to prove what I have to say, and I want to prove it to you.

THE WATKINS: I want to prove it to you, Sir John.

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lost to Hydro for 5000 h.p. Well, 5000 h.p. would represent pretty nearly the whole elevator load of the ^{two} Cities. I will read you what occurred. I have got the original copies here, and I will file them with you.

HON. MR. LUCAS: Mr. Chairman, all this was placed in the hands of Mr. Wegenast yesterday, everyone of these documents, which Mr. Morris proposes to read.

MR. MORRIS: That may be very true, but Sir Adam said he had lost a 5000 h.p. contract through Fort William, and I am now putting the contract in to show that it doesn't mean that. I have been forced to produce this contract, because I don't quite appreciate why the statement should be so exaggerated.

HON. MR. LUCAS: Mr. Morris, what do you know about other contracts ?

MR. MORRIS: That is the only one I know of.

SIR ADAM BECK: There were four others.

MR. MORRIS: We don't know about four others.

SIR ADAM BECK: No, but we know.

MR. MORRIS: You haven't applied to the city of Fort William.

SIR ADAM BECK: Four applications.

MR. MORRIS: This is the only one.

HON. MR. LUCAS: That you know about ?

MR. MORRIS: This is the only one you have notified us of.

THE CHAIRMAN: Mr. Lucas, you spoke of there being others. That is the only one you gave us.

HON. MR. LUCAS: Well, the engineers know about that, but I assume the file shows everything that is to be shown in regard to that.

THE CHAIRMAN: We were told that there was 5000 h.p. lost to Hydro.

SIR ADAM BECK: I said that we had application for 5000 h.p., and we have those applications.

MR. MORRIS: I understood you to say a certain contract.

SIR ADAM BECK: That was a contract already entered into, signed and sealed.

HON. MR. LUCAS: Just allow me to state once more how utterly impossible the situation for us is. You call Mr. Morris who has been quietly sitting here for four or five days preparing a brief. What he is now about to say will be published in the newspapers, and it is utterly impossible, as matters stand, for us to defend ourselves, because we have no idea whatever of what he is going to say.

THE CHAIRMAN: I don't know why you should say that. Mr. Morris is here, he was here last week several times. If you have read the evidence that was given up at Fort William, which you have a copy of, that covers, I fancy, pretty well all he is going to say now.

HON. MR. LUCAS: If he has anything new that wasn't already published at Fort William then we have no knowledge of it. We have no officers here, or no material with which to answer it.

THE CHAIRMAN: I have no idea what he is going to speak of.

HON. MR. LUCAS: Therefore, it would be quite impossible for us to make any answer to anything material.

THE CHAIRMAN: You haven't answered his old material.

HON. MR. LUCAS: If it is only old material he is going to present, then he can only have one thing to tell, that is, what he stated at Fort William.

THE CHAIRMAN: I think your men here know all about it. I don't think you will be prejudiced at all.

HON. MR. LUCAS: He has done that, and his statement

is on record at Fort William. If there is anything new to supplement it why the answer to that is we haven't any material.

THE CHAIRMAN: If he brings out something that you want to have an opportunity to answer the opportunity will be granted.

HON. MR. LUCAS: I point out, Mr. Chairman, that we have no material to answer anything new in our defence.

THE CHAIRMAN: It isn't necessary to deal with it in defence.

HON. MR. LUCAS: If I have made myself clear then, if he wants to rehash what he stated at Fort William the purpose is obvious. If he has anything new, then it is unfair, because we cannot answer it at the moment.

MR. MORRIS: Anything I have to say will be in line with what was put in at Fort William. It relates to what has been directed against Fort William, which I have a proper right to answer.

THE CHAIRMAN: You are quite within your rights.

MR. MORRIS: One of them was this contract, and I am correct in saying that it was for 660 h.p. I am only going to give you my view that it must not be lost sight of, that a company like the Great Lakes Company spending three or four million dollars in plant, there has got to be a fair assumption that even if they fail the plant is there and someone else will come over and use at least some of it. You have got to take that into consideration.

Mr. Chairman, prior to the submission of the Hydro vote in Fort William the Commission appeared before us there and there was plenty of surplus power as I have shown. I filed a chart and verified it. I don't ask you to take the statement from me, and Fort William was getting power for \$20, and Port Arthur for \$14, under, of course, different

conditions, and they had to step it down themselves.

At Fort William, I put in verbal statements, at least exact quotations of what was said by Mr. Espenschiede of the Hydro. They were taken down in shorthand at the time, and those you have, and in this statement it was represented to us that the price of power would be the same in both cities.

It was also represented that either the Kam power would be expropriated or Dog Lake developed. It was also represented that work wouldn't be gone on with during the war while costs were high, which was what we were afraid of.

In addition to those representations which were made by Mr. Espenschiede, you have read here today the estimates that were furnished us, in connection with this particular vote, by Mr. Gaby and under his signature. They were read just a moment ago by Mr. Harris, and they show it was Dog Lake development, Dog Lake price, and equal rates to both cities. I also put in the brief I handed to you at Fort William, and a copy of the Resolution submitted, the first plebiscite, which read this way:

(Mr. Morris reads from plebiscite)

That shows you what Fort William voted on.

Now, I have been through the Fort William files, all of them, and I can find no correspondence, or anything more, after the vote was taken, to show anything different other than Dog Lake, and none exists to my knowledge. If the Hydro are able to produce anything, all very well. I can assure you I would have produced it if I had found it. I have taken everything off the city's files, in connection with this matter, and put it in the brief for your use.

It is still stated by Mr. Gaby, right along, that the price of power will be the same for everything that is stepped down. Mr. Harris asked Sir Adam if the price on power would be the same if it came in from Dog Lake. I cannot see that he answered you, for this reason: He did and he didn't. He said that they would have to add the extra cost of transmission from certain points, whether it was at Bear Point or at the Mission. That isn't my point. If this power that was to be sold to the Great Lakes Company came into the central sub-station, where all power has to go that has to be stepped down, then it would have to go back to ~~Bear~~ Point, which would be further than the Mission and then the price would be the same, but it is because they do not bring it into the central sub-station but lop it off as they go along, as they come to a manufacture they lop it off, that that difference exists.

THE CHAIRMAN: I don't quite understand. You say it wouldn't be closer? A--Bear Point wouldn't be any closer to Dog Lake than the Mission. It is just because they go down to Nipigon which makes Bear Point closer to the Mission, but even in that case, you see, they have brought it into the central sub-station and stepped it down to 22,000 volts, and sold it to the Great Lakes. It would then come in there and go back to Bear Point. As I say, they lop it off as they go along, but even then that wouldn't have existed if they had gone to Dog Lake. They could still lop it off but Bear Point would be as far away as the Mission.

THE CHAIRMAN: Q--Could they lop it off if they came in from Dog Lake?

SIR ADAM BECK: Supposing it wasn't as far, supposing Nipigon was on the other side of Fort William, and it was four or five dollars cheaper to deliver to the Mission than to Bear Point, would you use the same argument?

A--I would say give Port Arthur the same rates.

Q--So that the cost to these two municipalities will be the same, one price ? A--That is what I say.

COMMISSIONER R. A. ROSS: If the Commission located in Fort William, would you in Fort William want to stand the cost of that extra transmission line over to Bear Point ?

A--Why, yes, if it reaches through there and goes to both cities. why, certainly. After all, the whole scheme is linked up together. The success of one depends greatly on the other.

Q--You would then be willing to pay for the advantages, that is to say, giving the advantages to the other city ?

A--I would like to do everything to keep that development.

Q--Neither Bear Point nor the Mission are in the municipalities, they are outside ? A--Exactly, but as to that I would say this to you, Mr. Ross, that I am quite satisfied that wherever a project for either city means success to that city, then it means success to them both. If they could get the price of power equal in both cities, to the boundary lines of those cities, we could let the industries take care of it from there.

THE CHAIRMAN: Q--Are there any harbour facilities at Bear Point ? A--No. The breakwater must be three or four miles from there. This plan shows you how far the breakwater goes. It stops away up there (indicating on plan).

Q--If industries located there would there have to be much money spent on harbour facilities ?

A--A breakwater gets into a tremendous amount of money. There must have been, I think, twenty millions of dollars spent on the two harbours now.

Q--Twenty million dollars already spent ? A--I should think so.

Q--And largely spent at the Mission? A--Well, there is a bay, or turning basin dug out around the Mission site. All this portion that is coloured green, south of the Kaministiquia River, belongs to the Canadian National Railways.

Q--And all the harbour facilities required are there now?

A--It is all dredged, and the bulk of our elevators are up here (indicating on plan).

Q--There would be no harbour facilities at Bear Point then? A--No, it is wide open, it is rock shore. That is what I have to say as to representations that were made at the time.

Q--It seems to me, you know, that that power line is the most serious difference, as it were, between the two parties. Do you agree with Mr. Gaby as to the cost of \$500,000? A--No. I had a power expert with me, Mr. Robinson of Montreal, and he thinks it is very much out of the way. It is all right for them to say so, but why didn't they make a real estimate? Sir Adam read to you the other day a telegram from the Chairman of Public Utilities at Port Arthur. I must say that when I heard it I was rather disappointed, because there isn't as much feeling between the two cities as you think. There are a lot of good citizens in both cities, and very friendly to each other.

Q--Do you speak to each other?

A--We do more than that, so far as I am concerned personally and I know I can speak for Fort William, generally. We recognize this that the success of one is more or less the success of the other. If an industry should go out of business in one city or the other, that is something that affects the other because our labour moves from one city to the other, so that one city that is good

would have to carry the one that is bad. If we want Port Arthur to be good we want to be good ourselves, and while we have friendly rivalry, and like to get all the industries we can get, if we cannot get it we want them to have it, and I think the position I have taken here all along bears that out. A tremendous amount of money has been spent in developing the harbours of both cities, and we want the industries for both cities.

The telegram from Port Arthur, which Sir Adam Beck read, means this to you: "Enforce the Hydro-Electric Act". If that is consistent then it means you must enforce the Hydro-Electric Act all round. It is not consistent if it doesn't. If Fort William took that attitude of saying enforce the Hydro Electric Act then we would be before the Courts, or before you, or some other body compelling the Hydro to deliver and collect the cost of power during the next four years when we are not taking it. You realize the effect of it. We have lots of power today, the Kam power is available to Fort William entirely with 35,000 h.p. They are supplying our needs and have got a surplus of 10,000 or 11,000 h.p. That power is being sold for around \$20 a h.p., and, as I say, if we were to insist that you enforce the Hydro-Electric Act, it would mean that Port Arthur would have to pay the cost of power during the next four years, and they couldn't compete with us, they wouldn't be able to live if they had to pay \$60 a horsepower. But here I am today asking you to give Port Arthur an attractive rate for power during the next four years when we do not take it.

Q--That is, the Hydro are now losing annually through not collecting the cost of power from Port Arthur practically the same amount, perhaps, as it might cost to

build the power line ? A--I am going to give you the figures. What is \$40 h.p.? \$400,000⁰ and if it goes on in that ratio it would be \$1,600,000.

Q--So really the Hydro is giving far more to Port Arthur --

A--This statement from Port Arthur shows the capital cost of that transmission line too the Mission would be \$250,000. While that is only a capital cost, and as I have shown you by this map once, the transmission line would serve our industrial area that is now available. I think that Port Arthur should be paying my fee down here for working for them.

Q--It is unfair to charge it all up to one industry.

A--But you see that is only \$250,000. You have never heard my suggest before this Commission that the Hydro Electric Act should be forced on Port Arthur, but I have been before you asking you to give both an attractive price for power. I have been before you asking that Port Arthur, who are more interested than we are, be relieved of a certain amount of capital cost of this development, that portion that is applicable to the Pulp and Paper industry, which would be practically the same thing if you carry this deficit until the development can take care of itself.

In addition to the disadvantage to Fort William of Port Arthur not paying the price of the power, at the end of four years when we do come in those deficits are there for us to help pay off.

Q--No, I should think those would be chargeable against Port Arthur, just looking at it from the legal standpoint?

A--I am telling you I don't care. I am down here to get an attractive price for power from the Hydro to the head of the Lakes, and if I can get an industry for Fort William instead of Port Arthur I will try to get it fairly.

COMMISSIONER R. A. ROSS: You say that the Kam Company has 10,000 h.p. to spare? A--Yes.

Q--We have had some evidence before us that they have none.

THE CHAIRMAN: Oh, yes, they have none.

COMMISSIONER R. A. ROSS: Another thing, Sir Adam made it very clear this morning that this company would be charged with the cost of that line when it was occupying it solely, and that just as soon as other companies came in the cost that was chargeable to that line would be divided pro rata between the new customers and the old. I think that was made clear this morning by Sir Adam. I don't see how you can get away from this question of capital cost. The cost of power is practically the cost of money. The operating cost is very little, for labour. It is a question of interest and depreciation, and sinking fund. It seems to me that you can't do anything else but charge that extra cost which has got to be paid for, you cannot get away from it? A--Well, Mr. Ross, I have shown that even in the case of the Great Lakes, if the power came into the central sub-station and was stepped down to 22,000 it would have to go back to Bear Point, and the distance would be the same, so that the power price would be the same, and that is the way it would be, that all power would go into that central sub-station--

Q--You would then have to pay for the additional transmission line into your sub-station between the two municipalities, and from there you would have to pay for the cost of stepping down to the transformers and transmission lines back to the outskirts and beyond your outskirts. You would probably have more cost than by charging it directly from the 110,000 volt straight over to the plant, and putting in one set of equipment?

A--That may be true, Mr. Ross, but as I pointed out to you we are all here seeking a redress and, to get that, we have got to get away from the present provisions of the Act. Port Arthur has got to get away from it or pay a cost of \$60 a h.p. By this telegram, it would indicate to me that they want to get away from it, as far as they are concerned, but they do not want us to get away from it.

SIR ADAM BECK: Is that the recent telegram sent to the Commission the other day? A--Yes. We are all in the position of asking for relief. Fort William asking for just the one price for power, so that it would be the same in both cities. You have got to do something anyway. To successfully operate a public utility, in my opinion, you have got to get the goodwill of the people you serve, and it is essential for the success of this Hydro development that you get the goodwill of Fort William, and once you give us an equality of rates to the consumer, so that we will have an equal break, you will find that every citizen will put his shoulder to the wheel and make things go as far as possible. If you don't they won't.

THE CHAIRMAN: Mr. Ross, isn't it a very heavy burden to put on a single party to say you must put up \$500,000 in order to get power? Might not a municipality be justified in view of present prospects in making a very substantial reduction?

COMMISSIONER R. A. ROSS: That is a question, of course, if the municipalities want to take the risk.

MR. MORRIS:

I do not think it should be the municipality that should take the risk, I think it is the Province that should take the risk in this particular case. But that is the same thing if you defer it. We would have no objection to it if it is deferred until the system is able to take care of it.

COMMISSIONER R. A. ROSS: If I paid taxes, I should strongly object to paying debts contracted by you people in connection with that investment that was made there for your purpose. A--As I stated the other day, if you were a pulp man going in there you have got three things to figure on, freight rates, dues and price of power. You do not care what any of the three are as long as the three together give you a figure that suit you. The Government have got the control of the dues, and also of the terms and conditions upon which they make the concession. I showed you a chart the other day showing that the development there is 3 h.p. to 3.2 per capita, whereas down here, on the Niagara, I think it is .8, and I think somebody said, for the city of Toronto, the horsepower per capita is one-tenth.

THE CHAIRMAN: What is the horsepower sold to Toronto?

SIR ADAM BECK: The total used here?

THE CHAIRMAN: Yes.

SIR ADAM BECK: Well over 100,000 h. p.

MR. MORRIS: That would be one-eighth.

SIR ADAM BECK: I think the commission, in their report, anticipate that in a year or two they will use 350,000 h.p. in the city of Toronto.

COMMISSIONER R. A. ROSS: Mr. Morris, what you are asking for is equality of rates?

MR. MORRIS: To the consumer of like power and like quantities.

Q--If you were one municipality you would get that. Do you mean to be placed in the same position then, in spite of the fact that you have two municipalities. You can have no kick? A--Well, we want to get an equality of rates to the consumer.

Q--That is what I understand you are asking for. That is

what I understand they intend to do when they put in that central station? A--Yes.

Q--You cannot ask for equality in surrounding districts, but in your own municipalities, and in your own system?

A--That is such a little distance that any industry located outside the city, either city, should take care of the cost from the boundary line, so that the price would be the same. You can limit that to the two cities.

Q--Remember what you have to do. You have ^{to} step down to the same voltage that you use over in the central station, and you sell 10,000 outside of your municipality. Now, you have got to pay for the stepping down equipment to do that, you have got to pay for the lines to carry it, and you have got to pay for the excess cost outside your own municipality, and what I am pointing out is that you have then got to see that that cost is properly apportioned instead of putting it on the person that is going to get it at the cheap rate?

A--You mean they would get it at the same price as if they were in the city, only paying the transmission from the boundary line.

Q--Then that wouldn't pay the cost?

A--Of course, with the big loads of power, like the Great Lakes, as I have stated to you we would want the Hydro to make that contract, but we would expect the Hydro to offer the same rate to them there as at Bear Point. I see your point.

THE CHAIRMAN: Does anyone know of any other industry where they have to pay \$500,000 for a special line?

MR. MORRIS: I was going to ask Mr. Ross in that connection.

SIR ADAM BECK: I think that is the total investment from the Nipigon.

MR. MORRIS: I was going to ask Mr. Ross, in that connection, whether this high tension power line coming from the Nipigon could be used for anything else besides the one company.

COMMISSIONER R. A. ROSS: Yes. Answering the Chairman's question, every municipality on the Hydro system has to do that very same thing.

THE CHAIRMAN: It is done right here in Toronto.

COMMISSIONER R. A. ROSS: It is done everywhere.

SIR ADAM BECK: Mr. Chairman, I don't know what reply you are making to that telegram from Port Arthur.

THE CHAIRMAN: We have made none, Sir Adam.

SIR ADAM BECK: I will be very glad to tell you how we arrived at the decision to put our transformer station other than where it is. Port Arthur at the present time is content to have this power stepped down and supplied east of Port Arthur. They think they should not be penalized --

THE CHAIRMAN: There ought to be some way whereby the cost of undertakings of this kind can be taken care of.

SIR ADAM BECK: If you want to change the whole Hydro principle. The argument in this case, as you know, in that central station, their temporary station is here supplying Port Arthur (indicating on plan), (or on table), and Port Arthur might well say "If you want to go to Fort William charge them with what it costs to go there." Kitchener and Waterloo are adjacent points, they are like one City, and yet Waterloo pays \$1 or \$2 more for their power because of the additional distance from the same station that we are supplying Kitchener out of. In this case, we have decided to come round Port Arthur and go to a central point and thus get into Port Arthur and Fort William, and have the same price prevail in both, so that these two municipalities are one, as it were, but that doesn't

apply to Kitchener and Waterloo, or Galt and Preston, and all these towns. Now, they want to be left alone and not be penalized by having to go here (indicating on table) to supply you.

MR. MORRIS: But if it came into the central sub-station at Dog Lake it would be as far to Bear Point as to the Mission.

SIR ADAM BECK: The object is this, to take the 110,000 volts, to cross here (indicating on table), and therefore stepping down at the nearest point to supply both and have them on the one set of equipment.

COMMISSIONER R. A. ROSS: That is the original place. If there was only one municipality there would be none of this trouble. That is the only location for the station.

MR. MORRIS: Referring to this telegram from Port Arthur, as I said, it is asking you to enforce the Act, and I am showing you what it would result in. It would absolutely bring disaster on themselves. We are conceding them more benefits than we are asking for. The cities of Port Arthur and Fort William are interwoven. Our people work in one city or the other. I think every car that stands in front of the block that I am in has a Port Arthur man in it working in Fort William, but living in Port Arthur. We want them to stand up, and all their industries to stand up. It is to our interest to have them do so.

COMMISSIONER HARRIS: I understand it is your present opinion that Fort William would be satisfied if a fixed rate should be made to deliver power at a point between the two cities, a municipal rate, say, and possibly a special rate for pulp purposes, and have it worked out on a basis that the deficits would be carried as long as it is necessary, and that Fort William would be prepared to waive any advantage that they might have in coming in four or five years

later ? A--Well, I didn't know I put it that way.

Q--That is what you said ? A--Yes. What I want for Fort William is an equality of rates. By that I mean that the price of like power at like periods and in like quantities shall be the same to the consumer no matter where in the zone he may be situated.

Q--This will have to be carried over a period of years; for a few years deficits will have to be taken care of. Now, you do not want those deficits allotted between Port Arthur and Fort William ? A--They will have to do that, they will have to go on. I don't know how that would work out, though.

COMMISSIONER R. A. ROSS: It would naturally show in the cost of your power.

MR. MORRIS: It would work itself out, I think, but what I do say is that we are satisfied the Act should not be enforced on Port Arthur now compelling them to pay cost, in fact, we don't want you to do that. It would put them out of business, and you would put that much more load on us. It doesn't matter what any other people think about the rivalry between the two cities, it isn't as bad as people think.

Q--Supposing these deficits in seven or eight years should amount to a million dollars, then they would begin to be wiped out, and perhaps Fort William wouldn't be in a position to accept the same sort of agreement as Port Arthur in wiping them out.

MR. MORRIS: We both have our agreements now.

SIR ADAM BECK: You are legally bound to make up the deficit.

MR. MORRIS: We would have to help make up that deficit.

SIR ADAM BECK: I don't think we could force it upon you.

COMMISSIONER HARRIS: But it would be the proper thing to do, taking everything into consideration.

SIR ADAM BECK: I agree with what Mr. Morris said, that the Government should take it up. They control the pulp, and they control the business up there entirely. They authorized us to go on with this development, directed us to go on, and they should find us a market there for this power and not penalize those two municipalities.

COMMISSIONER HARRIS: Of course, they did all in their power to make a market for it.

SIR ADAM BECK: They got their dues.

COMMISSIONER HARRIS: A Government has got to have money, Sir Adam, and this is one of their sources of revenue.

SIR ADAM BECK: They assumed the responsibility of telling us to go on.

COMMISSIONER HARRIS: At your request.

SIR ADAM BECK: Certainly, we had to make the request, when they asked us to provide for those limits. There is no doubt about that.

COMMISSIONER R. A. ROSS: When the new Province is created, will they take the natural resources with them ?

SIR ADAM BECK: They are going to get rentals out of this development.

MR. MORRIS: I think that covers nearly everything, Mr. Chairman, except that I would like you to bear in mind about that telegram of Port Arthur's. \$1,600,000 would be relieved of in the meantime, and they are certainly before you asking for more relief than we are. We are fighting the battle for them. If we are going to change the Act at all change the whole thing.

COMMISSIONER HARRIS: There will have to be a lot of

changes made to get over this situation.

THE CHAIRMAN: Have you anything to say, Mr. Pope ?

MR. POPE: No, sir.

THE CHAIRMAN: This concludes the hearing on the
Nipigon, for the present.
